KENTUCKY-AMERICAN WATER COMPANY
CASE NO. 2025-00122
FORECASTED TEST PERIOD FILING REQUIREMENTS
EXHIBIT NO. 28

Description of Filing Requirement:

(1) Annual Reports to Stockholders covering the most recent two (2) years from the application filing date.
(2) A copy of Form 10-K as filed with the Securities and Exchange Commission for the most recent two (2) years, any Form 8-K issued during the past two (2) years, and any Form 10-Q issued during the past six (6) quarters.
(3) The quarterly reports to stockholders for the most recent five (5) quarters.

Response:

Please see attached.

For electronic version, see

KAW_APP_EX28_051625.pdf

Case: APP_EX28_051625
Page: 2 of 2266

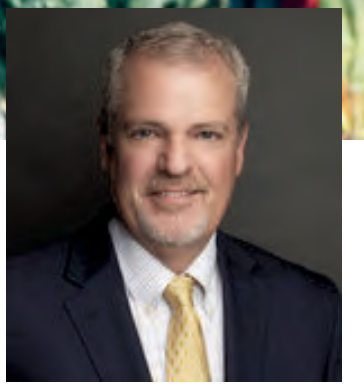


AMERICAN WATER

WE KEEP LIFE FLOWING®

2024 Annual Report





TO OUR SHAREHOLDERS,

It is my pleasure, for the seventh year in a row as Board Chair of the American Water Board of Directors, to report that American Water again delivered on its strategic plan with a disciplined approach to operations, capital deployment and regulatory execution. American Water's 2024 financial performance demonstrates that the company is growing strategically and is well-positioned for the future.

For the year ended December 31, 2024, earnings per share (EPS) growth and dividend growth exceeded 8 percent, which aligns with the long-term compounded annual growth target of 7-9 percent for both.

With these results and expectations for consistent future earnings growth, the Board again increased the dividends paid in 2024, the 16th consecutive year of increases. Annual dividends paid have grown at a compounded annual rate of 8.9 percent over the last five years.

These positive results are an outcome of the commitment and adherence to company values and sound execution of the business strategy by the company's dedicated employees. The American Water Board of Directors would like to thank you, our shareholders, for your continued trust and support. Please plan to join the virtual Annual Meeting of Shareholders at 10:00 a.m., Eastern Time, on Wednesday, May 14, 2025.

Sincerely,

KARL F. KURZ
Board Chair



COMPOUNDED ANNUAL GROWTH RATE OF ANNUAL DIVIDENDS PAID OVER THE LAST FIVE YEARS





DEAR FELLOW SHAREHOLDERS,

American Water is pleased to announce another year of achieving planned results, with notable growth for both earnings and dividends, all while maintaining a very strong balance sheet. This success is due to the unwavering commitment and hard work of our dedicated employees, whose efforts have been instrumental in driving our strategic goals forward.

This report outlines how we adhere to our strategy and values and effectively implement our plans. Our key stakeholders are integral to how and why we execute on our mission. The work we do every day is guided by goals we have set for ourselves to align with our key stakeholder groups — our customers, our colleagues, our shareholders and the regulators and policymakers who enable us to operate.

The company successfully executed its comprehensive plan, achieving top-tier industry growth for both earnings and dividends in 2024. We invested $3.3 billion in regulated operations, which prominently focused on infrastructure renewal. Additionally, through acquisitions and organic growth, we expanded our customer base by nearly 90,000 and achieved the company's acquisition customer growth target of 2 percent.

We continue to be the leader in all aspects of the water and wastewater utility industry inspired by our corporate mission—delivering safe, clean, reliable and affordable water and wastewater services to 14 million people, and growing, in this country.

We have achieved a five-year total shareholder return (TSR) of 11 percent and a ten-year TSR of 183 percent. Though certain macro-economic issues have impacted our near term relative TSR performance, we are certain that our industry-leading results in 2024, together with our earnings growth and dividend growth expectations, continue to offer exceptional value for our shareholders.

Building on 2024's success, we expect to thrive in 2025 and beyond as a solutions provider for our customers and the communities we serve. Our proven record as a trusted regulated water utility will continue. We offer low-risk, predictable growth. We plan to invest $40-$42 billion in capital over the next decade, balanced by O&M cost control, regulatory and legislative support, as well as application of new technologies. While the majority of our capital plan is dedicated to basic replacement of aging pipes, we are also focused on fortifying our water and wastewater systems through resilience spending and investments in water quality projects to meet increasing standards of compliance.

The execution of our strategy contributes to our performance and aligns with our core values. Already this year, the company was recognized by Forbes as one of America's Most Trusted Companies; acknowledged by Newsweek as one of America's Most Responsible Companies; named one of America's Most JUST companies by JUST Capital; and recognized by CNBC for our commitment to employees, customers, communities and shareholders.

And as we continue to look to the future, as we announced in February, I am retiring on May 14, 2025. John Griffith, currently serving as our president, will lead American Water as its new president and CEO. Under John's stewardship, American Water is poised to maintain its exemplary record of industry leadership and high performance. This seamless transition underscores the company's dedication to executive succession planning, helping ensure that American Water benefits from a capable and experienced leadership team for years to come.

As I step into retirement, I want to thank our board of directors, our talented leadership team and our dedicated employees for their unwavering commitment to excellence at American Water. You are simply the best. And I want to thank you, our investors, for your strong support of our company. It has been an honor to lead such a dedicated, high-performing team for the last six years and I look forward to seeing the company's future achievements under John's leadership.

I look forward to the bright future of this great company and hope you do too.

Sincerely,

M. SUSAN HARDWICK
Chief Executive Officer









COMPANY INFORMATION

AUDIT FIRM AND TRANSFER AGENT

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

Stock Transfer Agent
Equiniti Trust Company, LLC
55 Challenger Road, Second Floor
Ridgefield Park, NJ 07660
Phone: 800-937-5449 (toll-free)
718-921-8124 (outside U.S. & Canada)

BOARD OF DIRECTORS

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

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

Jeffrey N. Edwards
Director
Vice Chairman, New Vernon Capital

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

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

Julia L. Johnson
Director
President, Net Communications, LLC

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

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

Stuart M. McGuigan
Director
Former Global Chief Information Officer,
Fresenius Medical Care AG

*Not standing for re-election in 2025.

INQUIRIES

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

SHAREHOLDER INFORMATION

	12/31/19	12/31/20	12/31/21	12/30/22	12/29/23	12/31/24	TSR 5 year
American Water Works Company, Inc.	$ 100.00	$ 126.88	$ 158.36	$ 130.03	$ 114.85	$ 110.80	**10.8%**
PHLX Utility Sector Index	$ 100.00	$ 102.72	$ 121.46	$ 122.25	$ 111.05	$ 134.24	**34.2%**
S&P 500 Index	$ 100.00	$ 118.40	$ 152.39	$ 124.79	$ 157.29	$ 197.02	**97.0%**

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

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

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

Annual Meeting
The 2025 annual meeting of shareholders is scheduled for 10:00 a.m. ET on Wednesday, May 14, 2025, to be held virtually (and not at a physical location). All holders of our outstanding common stock at the close of business on March 17, 2025, are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to shareholders and accessible to the public on our Investor Relations page at https://ir.amwater.com. Management encourages all investors to have their votes counted at the annual meeting.

Executive Certifications
American Water has included as exhibits to its 2024 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

Dividends
Dividends paid on the company's common stock in 2024 were:

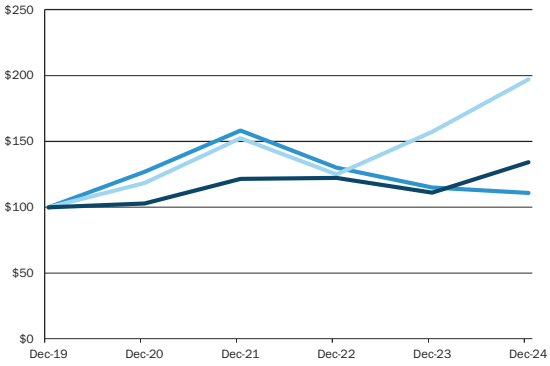
March 1, 2024	$0.7075
June 3, 2024	$0.7650
September 4, 2024	$0.7650
December 3, 2024	$0.7650

Stock Performance Graph
The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standard & Poor's 500 Index and the PHLX Utility Sector Index from December 31, 2019, through December 31, 2024. The comparison assumes $100 was invested on December 31, 2019, and that dividends were reinvested.

The Company has successfully executed on its financial and operating plans the last several years, including meeting or exceeding its EPS guidance and its dividend growth target. The Company believes that its relative TSR performance in 2024 and for the five years ended in 2024 was diminished due to the combination of rising interest rates and the shifting of investments from water utilities to other investment options that have data center-driven growth expectations, including electric and gas utilities.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

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



*$100 invested in each security on 12/31/2019, assumes reinvestment of dividends. Fiscal year ending December 31.

Source of data: FactSet.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

OR

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

For the transition period from_____ to_____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

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

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

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

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

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

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

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

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Common Stock, $0.01 par value—$22,045,400,000 as of June 28, 2024 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 28, 2024, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 28, 2024, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—194,947,313 shares as of February 10, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2025 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2024 are incorporated by reference into Part III of this report.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

		Page
Forward-Looking Statements		1
	Part I	
Item 1.	Business	5
Item 1A.	Risk Factors	27
Item 1B.	Unresolved Staff Comments	47
Item 1C.	Cyber Security	47
Item 2.	Properties	50
Item 3.	Legal Proceedings	51
Item 4.	Mine Safety Disclosures	63
	Part II	
Item 5.	Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	64
Item 6.	[Reserved]	64
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	65
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	92
Item 8.	Financial Statements and Supplementary Data	94
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	163
Item 9A.	Controls and Procedures	163
Item 9B.	Other Information	164
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	165
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	166
Item 11.	Executive Compensation	166
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	166
Item 13.	Certain Relationships and Related Transactions and Director Independence	166
Item 14.	Principal Accountant Fees and Services	167
	Part IV	
Item 15.	Exhibits and Financial Statement Schedules	168
Item 16.	Form 10-K Summary	168
Exhibit Index		169
Signatures		178
Specified Exhibits		179

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORWARD-LOOKING STATEMENTS

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

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

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

- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- present and future proposed changes in laws, governmental regulations and policies, including with respect to the environment (such as, for example, potential improvements to existing Federal regulations with respect to lead and copper service lines and galvanized steel pipe), health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern (including without limitation per- and polyfluoroalkyl substances (collectively, "PFAS")), public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures, as well as civil class action and other litigation or legal, regulatory or administrative proceedings, related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
    - acquiring, closing and successfully integrating regulated operations;
    - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
    - realizing anticipated benefits and synergies from new acquisitions;

- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
    - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
    - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement, security and cybersecurity regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation copper, lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax ("CAMT")), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;

- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

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

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,700 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as one reportable segment, referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

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

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in 14 states in the United States, with 3.5 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $4,296 million for 2024, $3,920 million for 2023 and $3,505 million for 2022, accounting for 92%, 93% and 92%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2024:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	$ 990	$ 61	$1,051	24.5%	672	70	742	20.9%
Pennsylvania	872	167	1,039	24.2%	688	115	803	22.6%
Missouri	487	21	508	11.8%	485	24	509	14.4%
Illinois	359	73	432	10.1%	300	77	377	10.6%
California	342	4	346	8.1%	191	3	194	5.5%
Total—Top Five States (b)	3,050	326	3,376	78.6%	2,336	289	2,625	74.0%
Other (c)	883	37	920	21.4%	881	40	921	26.0%
Total Regulated Businesses	$3,933	$ 363	$4,296	100.0%	3,217	329	3,546	100.0%

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.
(b) The Company's "Top Five States" are determined based upon operating revenues.
(c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses.

Customers

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

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

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

Presented in the table below is a breakout of the Company's Regulated Businesses' operating revenue by class of customer, for the years ended December 31, 2024, 2023 and 2022:

	2024		2023		2022	
(In millions)	**Revenue**	**Percentage of Revenue**	**Revenue**	**Percentage of Revenue**	**Revenue**	**Percentage of Revenue**
Water services:						
Residential	$2,349	55%	$2,143	55%	$1,941	55%
Commercial	885	21%	798	20%	710	20%
Fire service	164	4%	158	4%	147	4%
Industrial	184	4%	167	4%	153	4%
Public and other water (a)	301	7%	284	7%	267	8%
Wastewater	363	8%	327	8%	242	7%
Other (b)	50	1%	43	2%	45	2%
Total	$4,296	100%	$3,920	100%	$3,505	100%

(a) Includes water revenues from public authorities and other utilities, community water systems under bulk contracts and alternative revenue programs.

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

Presented in the table below is the number of water and wastewater customers the Company's Regulated Businesses served by class of customer as of December 31, 2024, 2023 and 2022, which represents approximately 13 million people served as of December 31, 2024:

	2024		2023		2022	
(In thousands)	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,920	307	2,893	279	2,870	270
Commercial	222	21	221	18	219	17
Fire service	53	—	52	—	51	—
Industrial	4	—	4	—	4	—
Public and other (a)	18	1	18	1	17	1
Total	3,217	329	3,188	298	3,161	288

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

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

Water Supply and Wastewater Services

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

Presented in the table below are the percentages of water supply by source type for the Company's Top Five States individually and the Regulated Businesses collectively for the year ended December 31, 2024:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	83%	16%	1%
Illinois	53%	35%	12%
California	—%	64%	36%
Regulated Businesses	70%	23%	7%

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

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

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

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

Capital Investment

The Company plans to invest between $40 billion and $42 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company is proactively improving its pipe renewal rate from a 250-year replacement cycle in 2009 to an approximate 125-year replacement cycle by 2029, which it anticipates will enable the Company to replace nearly 2,000 miles of mains and collection pipes between 2025 and 2029. In addition, from 2025 to 2029, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. The Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

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

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

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

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

Regulatory Practices	Description	States Allowed
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In California, the ratemaking tool provides partial revenue recovery with a focus on promotion of conservation signals in the pricing structure.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

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

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2024, approximately 84% of the water market is served by municipal systems and, as of 2022, approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2024, that there are over 50,000 community water systems and, as of 2022, over 17,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of approximately 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The Company leverages its collective size and scale to achieve operational efficiencies, prioritize capital investments and utilize employee knowledge to manage acquired systems. Operational efficiencies and investment needs allow the Company to be successful in integrating and managing the systems acquired with its regulated service areas. The Company's current customer mix of 91% water and 9% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulatory jurisdictions (states), the Company will evaluate the

regulatory, legislative and business climates for the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards of services to customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies and promote customer affordability after entering a new domestic market. Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Industry Legislation

American Water continues to advocate for constructive policies at the federal level that align with the Company's strategic priorities and would be beneficial to its customers. These include bi-partisan, bi-cameral legislation to establish a permanent, nationwide, low to moderate income water assistance program, given the expiration of the previous program in 2023; establishing liability exemptions under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") for certain entities, notably passive receivers of hazardous substances, specifically related to PFAS (such as water and wastewater utilities); and granting investor-owned wastewater utilities the opportunity to access state revolving loan funds. Efforts to advance these legislative priorities will continue in 2025.

The Company's regulated subsidiaries in New Jersey, Indiana and Missouri have versions of water quality or safety accountability acts that require operational or safety and security standards for water and wastewater utilities serving a certain number of customers. In New Jersey, the law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, hydrant and valve maintenance and cybersecurity. In Indiana, the law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. In Missouri, the act requires water and wastewater utilities to create cybersecurity, valve inspection and hydrant inspection programs.

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

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

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer

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

Affordability

As a water utility, the Company's water must be safe, reliable and affordable. Through increased efficiency, conservation and affordability support programs and tariffs, on average across the enterprise, the Company achieves water costs that are at or below 1% of median household income. Succeeding in water affordability positively affects the health and safety of the Company's customers and contributes to the economic prosperity of the communities in which it operates.

The Company continues to advocate for federal and state customer affordability support and monitors the number of customers enrolled in its assistance programs to make sure that it is effectively responding to customer needs. In addition, the Company advocates for low income rate discount programs and rate design reform measures in state rate proceedings that will improve the affordability of service specifically for lower income customers.

Competition

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

Condemnation and Eminent Domain

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

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey system assets of Cal Am are the subject of a condemnation lawsuit filed by the MPWMD stemming from a November 2018 public ballot initiative. For more information on this matter, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation.

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

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on military installations. The Contract Services Group ("CSG"), also included in Other, has three contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment by the Company. Operating revenues for Other were $388 million for 2024, $314 million for 2023 and $287 million for 2022, accounting for 8%, 7% and 8%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

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

The contract price for three of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 15 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions

applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $7.4 billion, with an average remaining contract term of 38 years.

Competition

MSG faces competition primarily from American States Water Company.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $1.4 billion over the next five years, and $275 million in 2025, to address water quality issues; most of which are focused on compliance with environmental laws and regulations. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use a variety of chemicals, including, for example, gaseous chlorine, that generate waste and require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. CERCLA authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

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

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering development of a new regulation for perchlorate and updates to the current microbial and disinfection byproduct regulations. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2025.

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

Reduction of Potential Lead Exposure in Drinking Water

Over the last 40 years, there have been numerous federal regulations aimed at reducing the potential exposure of lead from plumbing materials into drinking water. Regulations have addressed both piping system materials and water quality. In 1986, the Safe Drinking Water Act was amended to prohibit the installation of pipe, solder and flux in public water systems and premise plumbing systems that was not lead-free. In 1991, the EPA published the Lead and Copper Rule ("LCR") to reduce the corrosivity of water and control lead and copper in drinking water. In 2011, the Reduction of Lead in Drinking Water Act was enacted, further limiting the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. Since that time, the EPA has issued several minor revisions (2000, 2004 and 2007) and two major revisions (2021 and 2024) to the LCR.

While these measures have made an impact in reducing potential lead exposure in drinking water in the United States and educating water consumers, the 2021 Lead and Copper Rule Revisions ("LCRR") and 2024 Lead and Copper Rule Improvements ("LCRI") rules further advance public health protections by addressing the legacy lead service lines as well as lead plumbing materials, primarily in building plumbing, that still remain in many communities. The 2021 and 2024 revisions are discussed below.

On January 15, 2021, the EPA published the final LCRR with a revised final compliance date of October 16, 2024. The LCRR is designed to better identify high levels of lead, improve the reliability of lead tap sampling results, strengthen corrosion control treatment requirements, expand consumer awareness and improve risk communication. On October 30, 2024, the EPA published the LCRI with a "Compliance Date" of November 1, 2027. The LCRI focus includes requirements related to (i) replacing all lead and certain galvanized service lines

under a utility's control by October 30, 2037, 10 years after the Compliance Date; (ii) identifying the materials of all service lines of unknown material; (iii) improving tap sampling; (iv) reducing the lead action level; and (v) strengthening protections to reduce exposure to lead. The LCRI also deferred the compliance date of certain requirements of the LCRR to allow for compliance with both new rules.

The Infrastructure Investment and Jobs Act was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company will evaluate its service territories and apply for funding for those areas that meet applicable requirements. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set lead service lines ("LSLs") removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCRI compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR and final LCRI. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

As part of its ongoing water main replacement and service line renewal projects, and in accordance with applicable state regulations and anticipation of updated federal regulation, the Company has been replacing LSLs for many years in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

National Primary Drinking Water Regulations

On April 10, 2024, the EPA announced a final National Primary Drinking Water Regulation ("NPDWR") for six PFAS, including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The NPDWR for PFAS establishes legally enforceable levels, called Maximum Contaminant Levels ("MCLs"), for PFAS in drinking water. Utilities will be required to complete their initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. Utilities will be required to comply with the new MCLs by April 2029, implementing solutions to reduce PFAS levels where needed. Beginning in April 2029, utilities that exceed any of the PFAS MCLs will be required to provide notification to the public of the violation.

The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities in order to comply with the new regulations by April 2029. Additionally, the Company estimates that it will incur annual operating expenses of up to approximately $50 million related to testing and treatment, with the majority of the operating expenses beginning near the April 2029 compliance deadline. The actual level of capital investment and expenses may differ from these estimates and will be dependent upon market dynamics upon implementation of solutions to comply with the NPDWR for PFAS.

The Company has entered into a nine-year exclusive contract with a third-party vendor to supply granular activated carbon, equipment and reactivation services to more than 50 of the Company's treatment sites across 10 states through 2033. The equipment and services provided through the contract will aid the Company in treating drinking water to assist in complying with the NPDWR for PFAS.

The Company supports sound policies and compliance with the NPDWR for PFAS by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

On April 19, 2024, the EPA issued a final rule to designate PFOA and PFOS as hazardous substances under CERCLA. The Company, along with a coalition of other water and wastewater organizations, is actively advocating for and supporting bipartisan legislation that would provide PFAS liability protections under CERCLA for water and wastewater systems, as passive receivers of PFAS, and to hold polluters, and not the public or customers, accountable for PFAS-related liability.

Clean Water Act

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

Research and Development

The Company's Research and Development Program

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

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes sharing of the Company's research, such as its treatment and distribution system

optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, clean, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria, antibiotic resistant genes, endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which may be detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants at trace levels contributes to setting improved water quality goals.

The Chemicals Abstract Service Registry contains over 219 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS;
- systematically investigating PFAS removal from a variety of water matrices using established and emerging treatment technologies;
- leading a PFAS risk communication strategy for the water sector and sharing utility perspectives with external stakeholders through regional, national and international conferences;
- using innovative technologies (e.g., satellite imagery) for early detection and response to algal blooms to manage public health impacts and prevent taste and odor events before cyanotoxins get into the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;

- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

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

The Company's security team, through Service Company, provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. The security team is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies, as well as for the Company's executive management and other employees. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. For additional information concerning this team and the Company's cybersecurity program, see Item 1C—Cybersecurity.

Sustainability

The Company considers environmental, social responsibility and governance principles fundamental to its corporate sustainability strategy and values. Integration of these principles into the Company's daily operations emphasizes its belief that "how" a company operates is just as important as "what" a company does. Delivering safe, clean, reliable and affordable water services to customers and treating wastewater has been fundamental to the Company's business for decades. The Company has an opportunity to make a positive, sustainable impact in thousands of communities by serving them with skilled employees and maintaining the governance and diligence to meet or exceed service expectations.

Demonstrated Leadership

The Company's values and actions have achieved recognitions for demonstrating its leadership in several areas related to trust, responsibility, sustainability and support of its communities, customers and employees. Among others, these include the following:

- recognized as one of the *Forbes* 2025 Most Trusted Companies in America, in addition to being ranked first in the utilities industry category on *Forbes* America's Best Large Employers List for 2024;
- recognized on *Newsweek*'s America's Most Responsible Companies 2025 List;
- ranked on *Barron*'s 100 Most Sustainable U.S. Companies 2024 List; and
- named one of America's Most JUST companies by JUST Capital and CNBC for its continued commitment to employees, customers, communities and shareholders.

Oversight

Management Oversight

The Company has adopted a cross-functional approach for developing and implementing its sustainability strategy, principles and reporting. The Company's management function around sustainability involves the direct involvement and participation by a number of its business units, including without limitation, its executive leadership team, as well as environmental, health and safety, human resources, legal, finance, accounting and investor relations. In addition, the Company has developed a steering committee that reports to the Chief Operating Officer and is led by the Director of Sustainability. The committee is designed to foster sustainability governance, strategic planning, performance management and increased visibility of key goals and metrics disclosed through various channels.

Board of Directors Oversight

The Board of Directors oversees the Company's strategy and performance related to sustainability through its four standing committees:

- The Safety, Environmental, Technology and Operations Committee (the "SETO Committee") has oversight and responsibility with respect to, among other things: water quality and emerging contaminants; operational matters and functions; environmental and climate-related matters; and physical security and cybersecurity.
- The Audit, Finance and Risk Committee has oversight and responsibility with respect to, among other things: the Company's risk assessment and enterprise risk management; the Company's financial statements and accounting; the Company's independent auditor; internal audit and controls; and ethics and compliance matters.
- The Executive Development and Compensation Committee ("ED&CC") oversees, among other things: the Company's human capital management; culture and related engagement with employees; and executive development, succession and compensation.
- The Nominating/Corporate Governance Committee (the "Nominating Committee") has oversight and responsibility with respect to, among other things: corporate governance; Board and committee membership, leadership and composition; director independence, nominations and succession; and director education.

Reporting, Disclosures and Transparency

Information on the performance and management of the Company's key metrics can be found on the Company's Investor Relations website at *https://ir.amwater.com/sustainability*. The Company also discloses on its website its Political Contribution Policy, and, on an annual basis, information related to political contributions, certain payments to tax-exempt organizations and trade associations (including Section 501(c)(4) organizations), and lobbying expenditures.

Human Capital Resources

Overview

American Water is committed to supporting a high performing workforce. The Company seeks to attract and retain employees who share its purpose and values and understand the needs of the communities they serve. The Company demonstrates this commitment to its employees through its values of safety first; trust, dignity and respect; one team; environmental leadership; and high performance. American Water believes that investing time, energy and resources in its workforce generates new ideas, continuous improvement and high-quality and reliable service for its customers and communities.

Safety First

Safety is a core value at American Water and a critical component of its operational focus. The Company's goal is to achieve zero incidents, injuries and fatalities for its employees and contractors.

American Water believes all employees and contractors deserve to return home from work in the same, or better, condition than when they arrived. The Company's commitment to employee health and safety includes physical safety, emotional safety and overall well-being. To support its commitment to safety, the Company's employees completed approximately 126,000 hours of safety training, including physical security and cybersecurity, in 2024. Additionally, the Company focuses on proactive safety programs through collaboration with employees at all levels of the organization. Employees are empowered to demonstrate safety leadership by utilizing a number of safety procedures embedded in the Company's culture, such as the use of (i) daily and pre-meeting safety messages, (ii) "Stop Work Authority" (the power to stop working immediately and mitigate a hazard whenever an employee believes a task is unsafe) and (iii) pre-job briefings to proactively identify hazards that may be encountered. Notwithstanding the Company's commitment to a hazard free workplace, even when employees implement all appropriate and effective safety measures and precautions, accidents, injuries and even fatalities can and do occur. In 2024, a third-party vehicle entered a secure work zone striking four Company employees, due to no fault of its employees, which resulted in several serious injuries and one employee fatality. Additionally, in January 2025, a Company employee was fatally injured when struck by a train. For 2024, the Company had an OSHA Recordable Incident Rate ("ORIR") of 0.40 (25 recordable injuries, and does not include the fatality or injuries, which were determined to be not preventable), which reflects a 54% decrease in recordable injuries compared to 2023, when the ORIR was 0.86 (54 injuries). Also, the number of Days Away Restricted or Transferred ("DART") injuries decreased by 73% compared to 2023, primarily due to a decrease in strain, sprain and tear injuries, as well as a reduction in slip, trip and fall injuries. For 2024, the Company had a DART rate of 0.14 (9 injuries), compared to 0.52 (33 injuries) in 2023.

Talent Attraction, Retention and Development

The Company's talent and retention strategy is aimed at building and maintaining a high performing and engaged workforce across all levels of the business. The Company's performance depends on a highly skilled workforce with the requisite experience in areas including engineering, regulatory, water quality, finance and operations, in order to deliver safe, clean and reliable water and wastewater services to customers. The Company leverages various recruiting channels and partnerships as well as its employer brand to access a broad pool of talent and to hire what the Company believes are the most qualified candidates. In 2024, the Company filled approximately 1,000 positions, 67% of which with external candidates and 33% with internal candidates.

The Company has created and implemented programs aimed at developing and retaining talent. The Company collaborates with business leaders to identify the essential behaviors and competencies needed for safe and high performing operations, as well as to achieve its short and long-term business goals. Through the Company's workforce planning process, the Company evaluates key positions across the organization, identifies potential talent risks, and develops action plans to mitigate those risks. Additionally, the Company has created and implemented programs aimed at attracting, motivating, developing and retaining talent. These programs promote a culture of learning where employees are encouraged to continuously enhance their skills and knowledge through on-the-job experiences, social learning and formal learning opportunities. By committing to achieve 25 hours of learning annually, employees develop skills for their ongoing professional growth. Approximately 84% of active employees hired before October 1, 2024, have completed at least 25 hours of learning, resulting in approximately 262,000 hours of total learning completed during the year.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2024, the Company enhanced its succession planning process by increasing the number of business impact roles covered by a succession plan. These succession plans support the Company's business continuity plans and goals, through the identification and development of current and future leaders, and promote employee retention, as well as the Company's employee culture and talent development priorities.

In addition to succession planning for executive and senior leadership roles, during 2024, the Company conducted local and enterprise-wide talent reviews, identifying top and emerging talent with a focus on strengths, gaps and development needs against the critical skills needed for certain roles. Through these talent review processes, business leaders identified a pool of high-potential employees to allow the Company to support their career goals and aspirations, and to promote more effective employee experience and talent retention efforts. The Company also utilizes annual six-month mentoring programs designed to accelerate emerging leaders' abilities to demonstrate leadership capabilities and relationships, with the guidance of an experienced executive mentor.

Total Rewards

In order to attract, retain and motivate a skilled and high-performing workforce, American Water provides a comprehensive and highly competitive Total Rewards program, including base pay, Annual Performance Plan ("APP") for all employees, long-term performance plan compensation for certain leadership positions, and a wide range of benefits consisting of, among others, medical, prescription, dental, vision, life and disability insurance coverage, a retirement savings plan, an employee stock purchase plan, educational assistance, paid time off through holidays and vacation and sick time. The Company's Total Rewards offerings also include a health and wellness program, paid family leave benefit and a menu of additional voluntary benefits.

All the Company's employees, including those who are union-represented, participate in the APP to promote the alignment of performance-based compensation with the achievement of the Company's short-term performance goals. In addition, the Company regularly reviews its success in achieving fair compensation practices, whereby pay decisions would be based on the responsibilities, talents and skills of its employees, rather than unrelated factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week are eligible for full-time benefits. Approximately 89% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total premium cost of medical, dental and vision coverage. The Company's medical benefits include, among others, coverage for applied behavior analysis, autism treatment, transgender service, hearing aids and fertility assistance.

Trust, Dignity and Respect

In 2024, the Company launched the Catalyst for Change framework in support of its values of trust, dignity and respect. The pillar areas of commitment, consistency, clarity, courage and conviction, allow employees to work collectively to build the desired culture. At all levels, the Company strives to understand, value and provide opportunities to each employee, and to foster an environment where all employees are celebrated regardless of their background or life experiences. To achieve the desired state, all leaders are expected to model those behaviors that are consistent with the Catalyst for Change framework.

The Company believes that employees are at their best when they can bring their authentic selves to work every day. This belief is the central component of the Company's "Beautifully Different" philosophy, which recognizes, embraces and celebrates the uniqueness of its employees. The Company also believes that having employees with different ideas, viewpoints, experiences and backgrounds improves its ability to serve its customers. To this end, the Company is committed to attracting and retaining a workforce that understands the needs of the communities in which it serves.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements—deeper connections, personal growth, shared purpose, flexibility, and well-being. weCARE represents the Company's commitment to valuing its employees and

building a safe, healthy and inclusive culture where employees know their value and are appreciated for their talents and commitment to supporting the Company's success. The Company is also committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. In 2024, the Company administered two pulse surveys, seeking feedback on employee experience, which had an overall participation rate of 68%.

Workforce Data

As of December 31, 2024, the Company had approximately 6,700 employees. For 2024, the Company's annualized employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2024, was 10.5%, down from 11.5% in 2023. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2024, approximately 46% of the Company's workforce was represented under 75 collective bargaining agreements with 14 different unions. In 2024, the Company renegotiated 26 collective bargaining agreements that were set to expire during the year. During 2025, 25 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, the Company's national benefits agreement, which expires on July 31, 2028, covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with unions on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Safety Council, Tools Committee and local Labor-Management Committees. The Company continues to work with several local labor unions and the Federal Mediation and Conciliation Service to host discussions among management and union leaders with the goal of supporting and enhancing constructive relationships with these unions.

Board Oversight

The ED&CC of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. The ED&CC's charter requires that it oversee the Company's human capital management, culture and related engagement activities. Further, the ED&CC's charter requires that the ED&CC have responsibility for reviewing and assessing, at least annually, the Company's organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 19, 2025:

Name	Age	Office and Experience
M. Susan Hardwick	62	**Chief Executive Officer.** Ms. Hardwick served as President and Chief Executive Officer of the Company from February 2, 2022, to August 1, 2024, and has served as Chief Executive Officer of the Company since August 1, 2024. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation ("Vectren"), which was sold to CenterPoint Energy, Inc., an electric and natural gas utility ("CenterPoint"), on February 1, 2019. Ms. Hardwick joined Vectren in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2027, and since January 1, 2021, she has served as a member of its Audit Committee.
John C. Griffith	58	**President.** Mr. Griffith has served as the Company's President since August 1, 2024, with responsibility for the day-to-day operations of the Company. He joined the Company on May 16, 2022, as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
David M. Bowler	46	**Executive Vice President and Chief Financial Officer.** Mr. Bowler has served as the Company's Executive Vice President and Chief Financial Officer since August 1, 2024, and as Senior Vice President, Deputy Chief Financial Officer and Treasurer from October 31, 2022 to August 1, 2024. Mr. Bowler joined the Company in May 2020 as its Senior Vice President of Corporate Tax, Accounting Technology and Regulatory Services, and served as Senior Vice President of Planning, Regulatory and Financial Services from July 2021 to November 2022. Prior to joining the Company, Mr. Bowler served as Director of Finance and Accounting Integration at CenterPoint from February 2019 to April 2020, and in a number of roles of increasing responsibility, most recently as Vice President, Controller and Assistant Treasurer at Vectren from January 2007 to February 2019. Mr. Bowler is a Certified Public Accountant.

Name	Age	Office and Experience
Maureen Duffy	55	**Executive Vice President, Communications and External Affairs**. Ms. Duffy has served as the Company's Executive Vice President, Communications and External Affairs since October 29, 2024 and has had over 25 years of employment with the Company. Ms. Duffy served as the Company's Senior Vice President, Communications and External Affairs from January 2020 until October 29, 2024, as Vice President, Corporate Communications and Federal Affairs from May 2017 through December 2019, and as Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. She also has held various positions with the Company's New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.
Melanie M. Kennedy	51	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Stacy A. Mitchell	49	**Executive Vice President and General Counsel.** Ms. Mitchell has served as the Company's Executive Vice President and General Counsel since June 5, 2024. Prior to that, she served as the Company's Senior Vice President and Deputy General Counsel beginning in February 2023. She joined the Company in August 2019 as Vice President and Chief Regulatory Counsel. Prior to joining the Company, Ms. Mitchell served as the Vice President of Rates and Regulatory Affairs at South Jersey Industries, Inc. and its gas utility subsidiary. Prior to that time, she practiced litigation, regulatory and environmental law in private practice for 15 years. Ms. Mitchell serves as a member of the American Water Works Association's Water Utility Council, and as its Treasurer.
Cheryl Norton	60	**Executive Vice President and Chief Operating Officer.** Ms. Norton has 36 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management, and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

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

Available Information

The Company maintains a website at *https://amwater.com,* an Investor Relations website at *https://ir.amwater.com* and a Sustainability website at *https://ir.amwater.com/sustainability*. Information contained on the Company's websites, including its Sustainability Report and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its websites as key channels of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

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

The Corporate Governance Guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on the Company's Investor Relations website, and will be made available, without charge, in print to any shareholder who requests such documents from the Company's Investor Relations Department in writing by mail at American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

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

Risks Related to Our Industry and Business Operations

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

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

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

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

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

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on equity permitted by PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions, (iv) we experience a significant increase in customers without recovery of the operating and other costs associated with serving them, or a decrease in customers that causes a decrease in operating revenue, or (v) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

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

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR (as amended), and each of their implementing rules and regulations, as well as other federal and state requirements. For example, PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. We are also required to obtain various environmental permits from regulatory agencies for our operations. If the water or wastewater services we provide to our customers do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation, as a result of governmental proceedings and private litigation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry. In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. In addition, in April 2024, the EPA issued a final rule designating PFOA and PFOS as hazardous substances under CERCLA. While the EPA has stated that it will focus on holding responsible under CERCLA entities that significantly contributed to the release of PFAS into the environment, it is not yet known whether liability protection will be afforded to passive receivers of PFAS, including water and wastewater utilities.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements, such as the final EPA drinking water regulations for PFAS, the LCRR and the recently implemented LCRI, are expected to increase our costs. For example, the designation of PFOA and PFOS as hazardous substances under CERCLA may impact our ability to dispose of material used to treat impacted systems and may increase our costs as a result. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, and certain jurisdictions in which our Regulated Businesses operate have passed laws authorizing recovery of such costs, there can be no guarantee that the various other regulatory PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity. We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of certain hazardous chemicals, which are used in our treatment processes, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, including those obligations related to the disposal of PFAS residuals and other waste, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). We rely upon governmental agencies to set appropriate regulatory standards to protect

the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants will continue to form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

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

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

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the "1995 Order," the "2009 Order" and, as amended in July 2016, the "2016 Order" and, collectively, the "Orders") that require Cal Am to significantly decrease its diversions from the Carmel River. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

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

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

Government restrictions on water use may also result in decreased use of water and wastewater services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial

condition, results of operations and cash flows. Seasonal and other drought conditions, such as those experienced during 2024 in New Jersey, for example, that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions (including those mandated in New Jersey in 2024), rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices and certain regulatory mechanisms. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for a discussion of these practices and mechanisms. While these practices and mechanisms may serve to mitigate or reduce regulatory lag in certain of our regulated jurisdictions, we continue to seek approval of regulatory practices and mechanisms to mitigate or reduce regulatory lag in other jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges or those permitted by applicable law, and existing practices and mechanisms may not continue in their current form, or at all, and we may be unable or become ineligible to continue to utilize them in the future. Although we intend to continue to seek regulatory PUC approval of practices or mechanisms to mitigate or reduce regulatory lag, our efforts may not be successful in whole or in part, and even to the extent successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected by regulatory lag.

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

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

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;

- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefits, (iii) the amount of taxes owed or paid, including as a result of the CAMT provisions, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- increasing the associated costs of, and/or of difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs and/or difficulty of complying with proposed changes to federal contractor affirmative action audits;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a PUC or other governmental authority.

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

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

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

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

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

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2024, we invested $2.8 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. If we are not able to obtain sufficient financing through current or future sources of liquidity, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues. Two of our regulated jurisdictions currently have a revenue stability mechanism that permit us to recover a portion or all of our authorized revenues in a general rate case, regardless of volumetric consumption. These mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

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

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other types, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants

entering the water source), and contamination resulting from new and emerging contaminants as well as cyber attacks, possible terrorist attacks or other similar incidents. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a "Do Not Use" protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits, including class action lawsuits brought by affected parties, arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits and other proceedings related to interruptions of water service.

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

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

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our long-term contracts related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

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

The properties of our Regulated Businesses segment include 75 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without

limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

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

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

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

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

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

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

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

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;

- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;
- failure to sufficiently utilize or apply new or existing fair market value legislation or recover acquisition adjustments or premiums due to unfavorable decisions or interpretations by PUCs, courts and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated or perceived benefits and synergies, such as desired return on equity or profitability, cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. In addition, state laws on acquisition treatment or PUC interpretation thereof may affect our ability to recover costs associated with our investments in newly-acquired water and wastewater systems and any difficulties we encounter in the negotiation, execution or integration process could have a material adverse impact on our results of operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

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

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition. For example, on December 15, 2023, the MPWMD filed eminent domain litigation against Cal Am in Monterey County Superior Court with respect to the Monterey system assets and the case is pending. See Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Potential Condemnation for additional information regarding this matter.

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

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets

of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We have been, and may in the future be, subject to physical and cyber attacks.

As owners and operators of critical infrastructure, we face a heightened risk of physical attack and cyber attacks from internal or external sources, including nation-state cyber actors. Our water and wastewater systems have been, and may in the future be, vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism and other causes. By way of example, on October 3, 2024, we identified unauthorized activity within our information technology computer networks and systems, which we determined to be the result of a cybersecurity incident. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Cybersecurity Incident, for more information regarding this incident. Our operational and information technology systems are also vulnerable to unauthorized external or internal access, due to hacking, viruses, social engineering attacks, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Such unauthorized access could be caused through, among other causes, failure to follow established policies and procedures on the part of our employees, agents, vendors, suppliers, contractors or other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our networks and sensitive information, have been, and may in the future be, targets of cyber attacks and unauthorized access to their operational or information technology systems, and any cyber incident affecting our third-party business partners could significantly disrupt our operations.

While we believe that we have appropriate security measures and safeguards to protect our operational and information technology systems, the recent cybersecurity incident that we experienced in October 2024 demonstrated that those protections alone may not prevent a cyber attack, and we cannot guarantee that such protections will be completely successful in preventing or mitigating a future cyber attack. The Company has completed its investigation into the scope, nature and impact of the cybersecurity incident and determined the incident did not have a material effect on the Company or its financial condition or results of operations; however, the Company remains subject to various risks as a result of this incident, including those related to litigation, governmental and regulatory scrutiny, including from putative class action lawsuits that have been filed in connection with the recent incident. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits.

Future cybersecurity events could cause our operations to be disrupted, property to be damaged, and customer and other confidential information to be lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we would likely suffer a loss or redirection of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; our ability to comply with environmental standards and to continue to provide reliable service to our customers may be impacted; we would likely experience litigation and other claims against us; and we may suffer damage to our reputation, any of which could have a negative impact on our business, financial condition, results of operations and cash flows. Applicable laws and regulations or contracts may require us to report cybersecurity events or breaches of securely maintained confidential data, which may cause us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, and their resulting impacts, either to our facilities or assets, those of third parties, or the industry in general, may also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor, supplier, contractor or other third-party business partner could

also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. We have incurred, and may continue to incur, certain expenses related to the October 2024 cybersecurity incident, and we maintain a cybersecurity insurance policy as part of our overall insurance program. However, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not, in whole or in part, be covered by insurance or recoverable in rates. See Item 1A—Risk Factors Risks Related to our Industry and Business Operations—We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured, below for more information.

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

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Privacy Rights Act, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation, including, for example, from putative class action lawsuits filed in connection with our recent cybersecurity incident, or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows and liquidity.

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

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our operations. Our insurance programs have

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

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

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement, including as a result of a cyber incident, could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, obtain meter readings, bill customers, process orders, provide customer service, and manage certain plant operations and construction projects, including systems to support environmental compliance, provide for the safety of the water distributed to customers, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. In addition, we have invested resources to develop and adopt new technologies, including cloud-based systems, which rely on the security of our infrastructure, including hardware and other components provided by third parties, to support the reliability of our services and protect our data. While any failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

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

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

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating, enhancing and maintaining customer-facing technologies, applications to support field service and customer service operations, water source monitoring technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon

completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

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

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We have implemented, and will continue to implement, technology to improve our business processes and customer interactions (including, without limitation, in connection with the installation or upgrade of our enterprise resource planning systems, and to support our cybersecurity program), and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

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

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future.

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

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

Safety is a core value at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees, contractors or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Even when employees implement all appropriate and effective safety measures and precautions, accidents, injuries and even fatalities can and do occur. See Item 1—Business—Human Capital Resources—Safety First. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, or if the location and identification of these chemicals are not reported accurately or timely, serious injury, death, environmental damage or property damage could result, and we could be subjected to fines, penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

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

As of December 31, 2024, approximately 46% of our workforce was represented by unions, and we had 75 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 25 of which are scheduled to expire during 2025, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages and by external political, economic and social factors. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

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

As of December 31, 2024, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $14.0 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

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

During 2024, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2025, 2026 and 2027 will be $637 million, $1,478 million and $686 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

Given our usage of long-term debt as a key component of our capital and investment strategy, one of the principal market risks to which the Company is exposed is changes in interest rates. We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

Our ability to pay our expenses and satisfy our debt service obligations depends in significant part on our future performance, which will be affected by the financial, business, economic, competitive, legislative (including tax initiatives and reforms, and other similar legislation or regulation), regulatory and other risk factors described in this section, many of which are beyond our control. If we do not have sufficient cash flows to pay the principal and interest on our outstanding debt, we may be required to refinance all or part of our existing debt, reduce capital investments, sell assets, borrow additional funds or sell additional equity. In addition, if our

business does not generate sufficient cash flows from operations, or if we are unable to incur indebtedness sufficient to enable us to fund our liquidity needs, we may be unable to plan for or respond to changes in our business, which could cause our financial condition, operating results and prospects to be affected materially and adversely.

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

In addition to cash from operations, during 2024, we relied on a $2.75 billion revolving credit facility, a $2.60 billion commercial paper program, and the debt capital markets, to satisfy our liquidity needs. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2024, there were no outstanding borrowings under the revolving credit facility, $880 million of commercial paper outstanding and $82 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

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

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

assurance that we will be able to access markets to obtain capital or financing when necessary or desirable and on terms that are reasonable or acceptable to us. The occurrence of any of these circumstances could expose us to increased interest or other expense, require us to institute cash or liquidity conservation measures or otherwise adversely and materially affect our business, financial condition, results of operations, cash flows and liquidity, which may limit or impair our ability to achieve our strategic, business and operational goals and objectives.

The conditional exchange feature of the Exchangeable Senior Notes due 2026, if triggered, may adversely affect our liquidity and financial condition and may dilute the ownership interest of our shareholders or may otherwise depress the price of parent company's common stock.

In June 2023, American Water Capital Corp., our wholly owned finance subsidiary ("AWCC"), issued $1,035 million aggregate principal amount of its 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). See Note 11—Long-Term Debt in the Notes to the Consolidated Financial Statements for a description of the Notes. In the event the conditional exchange feature of the Notes is triggered and one or more holders elect to exchange their Notes, AWCC would be required to settle any exchanged principal through the payment of cash, which could adversely affect our liquidity. In addition, in that case, even if holders do not elect to exchange their Notes, we would be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. If AWCC elects to settle the portion, if any, of an exchange obligation in excess of the aggregate principal amount of the Notes being exchanged in shares of parent company common stock or a combination of cash and shares of such common stock, any sales in the public market of the common stock deliverable upon such exchange could adversely affect prevailing market prices of parent company common stock. In addition, the existence of the Notes may encourage short selling by market participants because the exchange of the Notes could be used to satisfy short positions, and any anticipated exchange of the Notes for shares of such common stock could depress the price of such common stock.

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

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

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

Our assets as of December 31, 2024, included $1.1 billion of goodwill and $218 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to

goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and any changes in fair value of other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

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

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

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

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2024, we had remaining performance commitments, as measured by remaining contract revenue, and primarily related to MSG’s contracts, totaling

approximately $8.1 billion, of which $1.2 billion are guaranteed by parent company and the remainder is guaranteed by certain wholly owned subsidiaries of parent company. The aggregate amount of remaining performance commitments is likely to increase as the number of military installations served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

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

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

General Risk Factors

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

Our consolidated financial statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board and other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

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

Our internal controls, accounting policies and practices and internal information systems are designed to enable us to capture and process transactions and information in a timely and accurate manner in compliance with GAAP, requirements of applicable tax laws and regulations, federal securities laws and regulations and other laws and regulations applicable to us. We have also implemented corporate governance, internal control and accounting policies and procedures designed to comply with the requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") and relevant SEC rules, as well as other applicable regulations. Management is also responsible for establishing and maintaining internal control over financial reporting and disclosure controls and procedures and is required to assess annually the effectiveness of these controls. While we believe these controls, policies, practices and systems are adequate to verify data integrity, unanticipated or unauthorized actions of employees or temporary lapses in internal controls due to shortfalls in oversight or resource constraints could lead to undetected errors that could result in the disallowance of cost recovery and non-compliant

disclosure and reporting. The consequences of these events could have a negative impact on our results of operations, cash flows and financial condition and could also harm our reputation, increase financing costs or adversely affect our ability to access the capital markets.

Our continued success is dependent upon our ability to attract, hire and retain highly qualified and skilled employees.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified and skilled employees understanding the needs of the communities in which we serve, including engineers and licensed operators, and water quality, regulatory and management professionals, with desired knowledge, experience and expertise. We may face challenges implementing our human capital management, recruitment and employee succession plans to attract and retain employees based on a number of factors, including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company’s Cybersecurity Program

The Company’s cybersecurity program is an integral part of the long-term sustainability and effectiveness of the Company’s operational and technology environment. To protect the integrity of its data and operational and technology systems, the Company employs a “defense-in-depth” strategy that uses multiple security measures. This strategy aligns with the National Institute of Standards and Technology Cyber Security Framework and provides preventative, detective, and responsive measures to identify and manage risks. The Company periodically reviews and modifies the implementation of its cybersecurity strategy based on threat trends, program maturity, the results of assessments, and the advice of third-party security consultants.

The Company’s cybersecurity program includes the following areas of focus:

- Technology that includes, among other things, encryption, threat management, monitoring, investigation support and backups for physical devices, such as mobile phones and computers, connected to the Company network;

- Identity and access management controls that include, among other things, multi-factor authentication and safeguards associated with granting elevated privileges;
- Proactive cybersecurity processes, including vulnerability scanning, penetration testing and periodic program assessments by outside security consultants and assessors;
- Reactive cybersecurity processes that are regularly evaluated using various incident response and disaster recovery exercises;
- Employee cyber risk awareness and training, including regular simulation exercises with employees, that covers cybersecurity threats and actions to prevent and report attacks; and
- Third-party risk management and security standards, including due diligence, continuous monitoring, cyber risk scoring and contractual obligations, and periodic review of third-party control environments to align the Company's risk exposure with its business requirements and risk tolerances.

Third-Party Relationships

The Company utilizes partners and third-party service providers to help deliver safe and reliable water and wastewater services across its regulated operations and has implemented a third-party risk management program to understand the cybersecurity risks to the Company that may arise out of these third-party relationships. The Company categorizes third-party relationships by risk level, which is determined primarily by the service provided by the third-party and its level of access to the Company's data. Each category has specific cybersecurity controls, data privacy and documentation requirements, which are outlined in the agreement between the Company and the third-party service provider. In addition, the Company evaluates the online security footprint for its service providers at the time of agreement, and on a regular basis, thereafter, depending on the provider's risk level. The Company reviews its agreements with third-party service providers periodically related to terms and conditions governing cybersecurity controls and data privacy. The Company also monitors, as appropriate, risks relating to potential compromises of sensitive Company information through third parties and reevaluates these risks periodically. In addition, the Company obtains annual attestation reports related to data security and privacy from certain third-party providers to further support compliance with industry-standard cybersecurity protocols.

Cybersecurity Risks

Cybersecurity threats are constantly evolving and have and will continue to become more frequent and sophisticated. Although the Company has implemented measures that it believes are reasonable to safeguard its operational and information technology systems and has sought to establish a culture of continuous monitoring and improvement, the evolving and increasingly complex nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. By way of example, as previously disclosed, on October 3, 2024, the Company identified unauthorized activity within its information technology computer networks and systems, which was determined to be the result of a cybersecurity incident. To date, the Company has determined that it has not experienced a cybersecurity incident that has resulted in a material impact to the Company's financial condition, results of operations, cash flows, or business strategy. For additional information concerning the October 3, 2024, cybersecurity incident, and cybersecurity-related risks, see Item 1A—Risk Factors—Risks Related to Our Industry and Business Operations—We are, and may in the future be, subject to physical and cyber attacks, and —We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured; and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Cybersecurity Incident.

Cybersecurity Risk Management and Strategy

The Company has established an enterprise-wide cybersecurity program designed to prevent disruption to critical information systems, minimize the loss or manipulation of sensitive information, and to timely identify,

escalate and promptly remediate and recover from cybersecurity incidents and facilitate compliance with regulatory and disclosure requirements. To oversee cybersecurity risk management, the Company employs a dedicated unit, led by the Company's Chief Information Security Officer ("CISO"), to implement cybersecurity controls, assess and report on cybersecurity risks and consult with the Company's internal Enterprise Risk Management Committee, a decision-making body which supports and oversees the identification, assessment, prioritization, and mitigation strategies for enterprise-level risks, including cybersecurity risks. The CISO has over 25 years of work experience in the information technology, physical security and cybersecurity fields, including previously serving as the Company's Chief Security Officer, and holds the Certified Protection Professional, Professional Certified Investigator and Physical Security Professional certifications from ASIS International. The CISO serves on the Water Sector Coordinating Council ("WSCC"), an advisory body comprised of representatives from various U.S. water and wastewater organizations, which serves as a policy, strategy and coordination mechanism for the water sector on critical infrastructure security and resilience issues. In that role, the CISO partners with representatives from the Department of Homeland Security and the EPA on U.S. water and wastewater sector initiatives. The CISO is also the former Chair of the WSCC, the National Association of Water Companies' Safety and Security Committee, and the ASIS Utility Security Council. The CISO reports directly to the Company's Chief Technology and Information Officer, who is responsible for the Company's information technology program.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. The Company's security team also conducts annual and ongoing cybersecurity awareness training and education for the Company's employees. In 2024, 100% of the Company's active workforce completed mandatory cybersecurity training. By equipping employees with knowledge and skills, the Company strives to cultivate and maintain a cybersecurity-conscious culture within its workforce.

The Company's cybersecurity risk assessment process involves considering risks associated with the nature of its business, receiving and processing inputs from internal and external stakeholders, monitoring industry trends and risks and engaging external advisors, to assist in aligning the Company's cybersecurity processes with industry best practices. Risk assessments are conducted quarterly and annually to evaluate the effectiveness of the Company's existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers.

The Company has also implemented a vulnerability assessment program that is reviewed at least annually and more frequently, depending on changes to the risk environment. This process serves as a guiding enterprise-wide framework to outline the scope and procedures of the Company's cybersecurity risk management processes. By prioritizing vulnerability management and continuously evaluating the Company's internal and external environments for vulnerabilities, the Company aims to implement preventative measures to protect its information assets and technology-based infrastructure from cybersecurity threats. This approach helps to reduce the Company's exposure to material cybersecurity threat risks.

Incident Response

The Company utilizes an established internal framework designed to assess promptly the severity and materiality of cybersecurity incidents based on predefined quantitative and qualitative criteria and to determine the appropriate level of response. Incidents are escalated to the relevant management teams based on their severity and materiality for prompt response and mitigation. The Company maintains a standing crisis response

team comprised of individuals from various functional units, including without limitation Information Technology, Legal, Finance, Enterprise Risk Management, Operations and Communications, to respond to cybersecurity and physical security incidents, environmental incidents and health and safety emergencies, among others.

When a cybersecurity incident occurs, the Company establishes a cross-functional incident response team to respond to the specific cybersecurity incident. The incident response team consists of a subset of members from the standing crisis response team, including personnel with the most relevant experience related to the specific incident. This collaborative approach is intended to enable the Company to leverage expertise throughout the business to address cybersecurity events and to evaluate the potential financial, legal, operational and reputational implications of an incident, or series of related incidents. In considering the materiality of an event, related attacks, whether in terms of quantity or impact, are reviewed individually and in the aggregate to determine whether they may have a significant impact on the Company's financial condition, results of operations or business strategy, either quantitatively or qualitatively.

Cybersecurity Governance

The Board of Directors is responsible for oversight of the Company's cybersecurity program and the Company's responses to cybersecurity risk. The Board of Directors has delegated to its SETO Committee responsibility for the oversight and review of technology policy, strategy and governance, and cybersecurity issues that could impact the Company's operational performance or risk profile. The SETO Committee meets at least quarterly and receives reports related to cybersecurity threats, trends and risks, and related mitigation activities. In addition, the SETO Committee and the Board of Directors receive reports of periodic external assessments and internal testing of the effectiveness of the Company's cybersecurity program. The SETO Committee coordinates with the Audit, Finance and Risk Committee, as appropriate, on matters related to cybersecurity risk. The Audit, Finance and Risk Committee is responsible for, among other things, overseeing the adequacy and effectiveness of the Company's system of internal controls and the Company's risk assessment and management strategy, including with respect to cybersecurity risks.

ITEM 2. PROPERTIES

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

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

- 80 surface water treatment plants;
- 520 groundwater treatment plants;
- 190 wastewater treatment plants;
- 54,500 miles of transmission, distribution and collection mains and pipes;
- 1,200 groundwater wells;

- 1,800 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 75 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 50% of all properties that the Company owns are located in New Jersey and Pennsylvania.

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

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

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 19, 2025, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more**.**

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

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

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

its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the California Coastal Commission (the "Coastal Commission") in November 2022, of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2024, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2025, and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the reduction or exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

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

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $281 million in aggregate costs as of December 31, 2024, related to the Water Supply Project, which includes $88 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until late 2025 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application

with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

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

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing but adopting its proposed AFUDC for already incurred and future costs. The decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings in this proceeding were held in March 2024. This matter remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023, rehearing decision. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up

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

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

In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency ("GSA"), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of slant wells for the Water Supply Project. Cal Am is named as a real party in interest. On April 24, 2024, the court granted defendants' motion for judgment on the pleadings and dismissed one of MCWD's causes of action in its petition. A trial commenced on December 9, 2024, and further proceedings continued in January 2025. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2025 and the desalination plant is estimated to be in-service by the end of 2027.

Proposed Zoning Changes at CEMEX, Inc. Site for Slant Wells

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

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan would need to be submitted to the Coastal Commission for approval; however, the Coastal Commission's November 2022 approval of Cal Am's coastal development permit application has rendered moot the impact of these proposed local coastal program and zoning changes on the issuance of the coastal development permit.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's

coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2026. A required lease obtained from the California State Lands Commission, as amended, expires on December 16, 2027.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

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

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB held hearings in 2022 and 2023, on the referred issues before its administrative hearing officer. On September 19, 2024, the SWRCB administrative hearing officer sent a letter to the court advising that the full draft report of the SWRCB advisory opinion addressing the questions referred by the court would not be received until at least November 1, 2024. On November 22, 2024, the administrative hearing officer sent a second letter to the court advising that the draft report would be considered for approval at a public meeting of the SWRCB to be held in the first quarter of 2025. On December 31, 2024, an initial draft report was circulated by the SWRCB to the parties for review and comment.

Regional Water Quality Control Board Approval of NPDES Permit Amendment

A requirement of the desalination plant that is a key component of the Water Supply Project is the discharge of brine through Monterey One Water's outfall. As a condition to Cal Am's coastal development permit, an amendment of a NPDES permit must be obtained by Monterey One Water as the outfall owner from the Regional

Water Quality Control Board (the "RWQCB"). The RWQCB must also determine that the proposed brine discharge complies with the desalination facility requirements under the California Ocean Plan. Working in cooperation with Monterey One Water staff and consultants, Cal Am prepared an application for submission to the RWQCB, which application and submission were approved by Monterey One Water's Board on September 30, 2024.

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

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

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

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020. In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. On May 3, 2023, the City filed a second reverse validation complaint, challenging the adoption of amendments to the GSP for the 180/400 Subbasin.

After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 Subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void. The related validation and reverse validation actions remain stayed during the pendency of the appeal. On

November 13, 2023, the California Court of Appeal affirmed the trial court's decision. On December 22, 2023, the City filed a petition for review with the California Supreme Court, which was denied on February 24, 2024. On October 31, 2024, the parties entered into an agreement settling the stayed validation complaints and all claims for attorneys' fees and costs. The validation complaints were subsequently dismissed.

Cal Am's Action for Damages Following Termination of Regional Desalination Project ("RDP")

In 2010, the CPUC had approved the RDP, which was a precursor to the current Water Supply Project and called for the construction of a desalination facility in the City of Marina. The RDP was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among MCWD, Cal Am and MCWRA. In 2011, due to a conflict of interest concerning a former member of MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In ensuing litigation filed by Cal Am in 2012 to resolve the termination of the RDP, the court in 2015 entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line agreement, is not void. As a result of this litigation, Cal Am was permitted to institute further proceedings, discussed below, to determine the amount of damages that may be awarded to Cal Am as a result of the failure of the RDP.

In 2015, Cal Am and MCWRA filed a complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm ("RMC"), seeking to recover compensatory, consequential and incidental damages associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. In 2019, MCWD was granted a motion for summary judgment related to the tort claims in the complaint. A settlement as to the non-tort claims was finalized and entered into in March 2020, in which MCWD and RMC paid Cal Am an aggregate of $5.2 million to resolve Cal Am's contract claims against MCWD and all claims against RMC relating to the RDP. Under this agreement, Cal Am's and MCWRA's right to appeal the dismissal of their tort claims against MCWD were expressly reserved.

In July 2020, Cal Am appealed the grant of summary judgment on MCWD's tort claims, and in December 2022, the trial court's decision was reversed on appeal with instructions to vacate its prior orders granting MCWD's motions for summary judgment and to enter new orders denying the motions. In February 2023, MCWD filed a petition for review of the appellate decision with the California Supreme Court, which was denied in March 2023. On June 27, 2024, MCWD filed a motion for judgment on the pleadings. Following a hearing, on December 5, 2024, the court granted MCWD's motion without leave to amend, dismissing all of Cal Am's remaining claims. Final judgment was entered on January 7, 2025. Cal Am intends to file a notice of appeal of the trial court's decision.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (i) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (ii) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (iii) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (i) acquire the Monterey system assets through the power of eminent domain, if necessary, and (ii) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey system assets) and, if requested, to re-hear the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, each of Cal Am and LAFCO filed a notice of appeal with the California Court of Appeal regarding the Monterey County Superior Court's decision to issue the writ of mandate. The MPWMD filed a notice of cross-appeal on February 15, 2024. Cal Am is evaluating potential additional actions to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

MPWMD Condemnation Action

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requested access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets.

On December 15, 2023, the MPWMD filed a lawsuit against Cal Am in Monterey County Superior Court seeking to condemn the Monterey system assets. On February 26, 2024, Cal Am filed a motion requesting the Monterey County Superior Court dismiss the MPWMD's eminent domain lawsuit seeking to condemn Cal Am's Monterey system assets. Cal Am's motion asserted that the MPWMD lacks legal authorization from both the California legislature and LAFCO to become a retail water provider and the lawsuit improperly seeks to effect a taking of property outside the boundaries of the MPWMD's territory. Hearings on the motion were held on May 3, 2024, and August 23, 2024. On November 14, 2024, the court issued a final ruling denying Cal Am's motion to dismiss. Cal Am filed its answer to the complaint on December 13, 2024. This matter remains pending.

While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal authorities and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

Dunbar, West Virginia Class Action Litigation

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

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

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

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. Trial in this matter had been scheduled for January 2025.

On January 17, 2025, before trial commenced, the parties notified the Circuit Court that an agreement in principle to settle this litigation was reached among the parties. Under the terms of the agreement in principle and any subsequent proposed settlement agreement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The proposed maximum pre-tax amount of the settlement is approximately $18 million, of which the Company currently estimates that approximately $5 million would be contributed by the Company and WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through this settlement will depend upon the claims submitted and approved through a claims process to be negotiated by the parties and approved by the Circuit Court. The parties will next negotiate and enter into a proposed settlement agreement based on the terms of the agreement in principle, and the proposed settlement agreement will be subject to preliminary and final approvals by the Circuit Court.

The final amount of the Company's and WVAWC's contributions to the settlement remains subject to uncertainty; however, the Company does not currently anticipate that Company's maximum liability for the settlement will materially exceed $5 million. As a result, the Company has recorded a charge to earnings, net of insurance receivables, of $5.0 million ($3.9 million after-tax) in the fourth quarter of 2024. The Company intends to fund its and WVAWC's contributions to the settlement through existing sources of liquidity, although no contribution by the Company or WVAWC will be required unless and until a proposed settlement agreement has been entered into and finally approved by the Circuit Court.

Chattanooga, Tennessee Class Action Litigation

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

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. In January 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. In February 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. In September 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. In October 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On June 14, 2024, the court issued its written order denying the Tennessee Plaintiffs' amended class and incorporating its denial of certification of the original residential class. On June 21, 2024, the Tennessee Plaintiffs appealed both of the court's orders denying class certification. This appeal remains pending.

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

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,500 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits, with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the class action lawsuits before a single judge in Kanawha County Circuit Court. On June 14, 2024, the judge in the *Ruffin* case partially granted the motion by transferring all of the four class action lawsuits to her court but deferring as premature consolidation of the cases.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. On March 6, 2024, the motion to transfer this complaint to the West Virginia Business Court was granted and trial and resolution judges were assigned. Mountaineer Gas voluntarily dismissed its implied indemnity count against WVAWC, rendering moot WVAWC's partial motion to dismiss, and on May 31, 2024, WVAWC answered the complaint. The Business Court has set a trial date of October 7, 2025, for this matter.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three class action lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. Mountaineer Gas subsequently voluntarily dismissed its cross-claims. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. On February 19, 2024, Mountaineer Gas filed a motion opposing the referral of the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On

May 31, 2024, the West Virginia Supreme Court denied the motion seeking referral. The Kanawha County Circuit Court has set a trial date of February 2, 2026, for the class action complaints.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 in damages per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. In light of the diminishing number of new claims that had been filed, the claims process was concluded on March 8, 2024. As of December 31, 2024, a total of 594 Mountaineer Gas customers completed this claims process and each of those customers has been paid by WVAWC an average of approximately $1,500. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation.

On April 24, 2024, the staff issued a final joint memorandum in the Mountaineer Gas general investigation stating its view that Mountaineer Gas responded appropriately, reasonably and according to Mountaineer Gas's written procedures. The staff is making no recommendations for improvements to Mountaineer Gas and is recommending that the Mountaineer Gas general investigation be closed. On July 24, 2024, the staff issued a final joint memorandum in the WVAWC general investigation finding no indication of systematic failure by WVAWC and concluding WVAWC's maintenance and operating procedures were adequate to ensure safe and reliable service, subject to the implementation by WVAWC of three recommended operational improvements. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has valid, meritorious defenses to such claims. WVAWC continues to defend itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above.

PFAS Multi-District Litigation

Several of the Company's utility subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit, which commenced on December 7, 2018, in U.S. District Court for the District of South Carolina, against manufacturers of certain PFAS for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. Settlements with several defendants in the MDL proceeding have received final approval by the MDL court. In the third quarter of 2024, the Company timely submitted to the MDL court its Phase One claims forms under settlement agreements with defendants 3M Company, The Chemours Company, Corteva, Inc. and DuPont de Nemours, Inc.

On November 22, 2024, the MDL court granted final approval to settlements with defendants Tyco Fire Products LP and BASF Corporation. The Company's utility subsidiaries have determined to remain parties to these class action settlements, and the Company has begun the process of perfecting its claims under each settlement within the time periods provided by the MDL court.

Cybersecurity Incident Class Action Lawsuits

Following the Company's previously reported October 3, 2024, cybersecurity incident, nine putative class action lawsuits against parent company have been filed in the U.S. District Court for the District of New Jersey. All of the putative plaintiffs seek to certify a nationwide class and several of the plaintiffs seek to certify a state-specific subclass. The complaints allege primarily negligence, breach of implied contract, and claims of violations of federal and/or state consumer protection and data privacy law and seek damages and injunctive relief. On February 14, 2025, the court granted a motion to consolidate the nine current pending class actions. This consolidated matter remains pending. The Company believes that the causes of action and other claims asserted in the class action complaints are without merit and that the Company has valid, meritorious defenses to such claims, and the Company is defending itself vigorously.

General

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 10, 2025, there were 194,947,313 shares of common stock outstanding held by approximately 1,922 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

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

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2024, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2024.

ITEM 6. [RESERVED]

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

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2023 compared to fiscal 2022, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 14, 2024.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,700 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in 14 states in the United States, with 3.5 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within "Other." See Item 1—Business for additional information.

Selected Financial Data

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

	For the Years Ended December 31,				
(In millions, except per share data)	**2024**	**2023**	**2022**	**2021**	**2020**
Statement of Operations data:					
Operating revenues	$ 4,684	$ 4,234	$ 3,792	$ 3,930	$ 3,777
Net income attributable to common shareholders	1,051	944	820	1,263	709
Net income attributable to common shareholders per basic common share	5.39	4.90	4.51	6.96	3.91
Net income attributable to common shareholders per diluted common share	5.39	4.90	4.51	6.95	3.91
Balance Sheet data:					
Total assets	$32,830	$30,298	$27,787	$26,075	$24,766
Long-term debt and redeemable preferred stock at redemption value	12,521	11,718	10,929	10,344	9,333

(In millions, except per share data)	For the Years Ended December 31, 2024	2023	2022	2021	2020
Other data:					
Cash dividends declared per common share	$ 3.06	$ 2.83	$ 2.62	$ 2.41	$ 2.20
Net cash provided by operating activities	2,045	1,874	1,108	1,441	1,426
Net cash used in investing activities	(3,379)	(2,815)	(2,127)	(1,536)	(2,061)
Net cash provided by (used in) financing activities	1,110	1,188	1,000	(345)	1,120
Capital expenditures included in net cash used in investing activities	(2,856)	(2,575)	(2,297)	(1,764)	(1,822)

Financial Results

For the years ended December 31, 2024, 2023 and 2022, diluted earnings per share (GAAP) were $5.39, $4.90 and $4.51, respectively. Increased results were driven primarily by the implementation of new rates in the Regulated Businesses from capital and acquisition investments. Results also reflect increased production and employee-related costs, increased depreciation and higher financing costs used to fund the current capital investment plan. Results for 2024 and 2023 reflect the net favorable impact of warmer, drier weather compared to normal, estimated at $0.12 per share, and $0.13 per share, respectively. Results for 2024 include incremental interest income of $0.09 per share, resulting from the early 2024 amendment to the secured seller note from the sale of the former HOS business.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the substantial majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, (ii) regulated acquisitions to expand the Company's services to new customers and (iii) organic growth in existing systems. In 2024, the Company invested $3.3 billion, in the Regulated Businesses, as discussed below:

- $2.8 billion capital investment in the Regulated Businesses, for infrastructure improvements and replacements; and
- $417 million to fund acquisitions in the Regulated Businesses, which added approximately 69,500 customers during 2024. This includes the acquisitions by the Company's Pennsylvania subsidiary of the wastewater collection and treatment system assets from the Butler Area Sewer Authority on October 29, 2024, for a cash purchase price of $230 million, which added approximately 15,000 customer connections, and by the Company's Illinois subsidiary of a wastewater treatment plant and related assets from Granite City on March 11, 2024, for a cash purchase price of $86 million, which added approximately 26,000 wastewater customers, including 15,500 customers indirectly in surrounding communities.
- Approximately 19,400 new customers were added through organic growth in existing systems.

The Company expects to invest between $17 billion to $18 billion over the next five years, and between $40 billion to $42 billion over the next 10 years, including $3.3 billion in 2025. The Company's expected future investments include:

- capital investment for infrastructure improvements and replacements in the Regulated Businesses of between $15.5 billion to $16 billion over the next five years, and between $36 billion to $37 billion over the next 10 years; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $4 billion to $5 billion over the next 10 years.

The Company estimates the expected capital investment for infrastructure improvements in its Regulated Businesses over the next ten years will be allocated to the following purposes: infrastructure renewal 68%; resiliency 10%; water quality, including capital expenditures related to PFAS 8%; operational efficiency, technology and innovation 6%; system expansion 5%; other 3%.

As of December 31, 2024, the Company had entered into 17 agreements with a total aggregate purchase price of $105 million for pending acquisitions in the Regulated Businesses to add approximately 24,200 additional customers.

In December 2020, the Company's Pennsylvania subsidiary entered into an agreement (an acquisition intended to comply with Act 12 (discussed below)) to acquire the wastewater collection system assets of Brentwood Borough ("Brentwood") for a purchase price of approximately $19 million. On February 22, 2024, the Pennsylvania Public Utility Commission (the "PaPUC") denied the Pennsylvania subsidiary's application to acquire Brentwood. On April 3, 2024, the Pennsylvania subsidiary filed an appeal of the decision with the Pennsylvania Commonwealth Court, asserting, among other things, the PaPUC did not apply the correct legal standard in its decision. The Company cannot currently predict the outcome of this appeal, and the matter remains pending.

On July 2, 2024, the PaPUC issued the Final Supplemental Implementation Order ("FSIO"), which makes certain changes to the process by which the PaPUC considers and decides applications to acquire water and wastewater assets under Pennsylvania's existing utility valuation law, known as Act 12 of 2016 ("Act 12"). The FSIO includes, among other things, a reasonableness review ratio that would be applied to help guide the determination on the overall prudency of the transaction and reasonableness of the purchase price. The provisions of the FSIO are not retroactive and apply to acquisition applications filed after July 2, 2024. The Company cannot currently predict the impact of the FSIO, but the Company intends to continue to support outcomes that allow for consolidation and investment in water and wastewater infrastructure in Pennsylvania and in its other regulated jurisdictions.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On April 10, 2024, the EPA announced a final NPDWR for six PFAS including PFOA, PFOS, PFNA, HFPO-DA, PFHxS, and PFBS. The NPDWR for PFAS establishes MCLs, for PFAS in drinking water. Utilities will be required to complete their initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. Utilities will be required to comply with the new MCLs by April 2029, implementing solutions to reduce PFAS levels where needed. Beginning in April 2029, utilities that exceed any of the PFAS MCLs will be required to provide notification to the public of the violation.

The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities in order to comply with the new regulations by April 2029. Additionally, the Company estimates that it will incur annual operating expenses of up to approximately $50 million related to testing and treatment, with the majority of the operating expenses beginning near the April 2029 compliance deadline. The actual level of capital investment and expenses may differ from these estimates and will be dependent upon market dynamics upon implementation of solutions to comply with the NPDWR for PFAS.

The Company has entered into a nine-year exclusive contract with a third-party vendor to supply granular activated carbon, equipment and reactivation services to more than 50 of the Company's treatment sites across 10 states through 2033. The equipment and services provided through the contract will aid the Company in treating drinking water to assist in complying with the NPDWR for PFAS.

The Company supports sound policies and compliance with the NPDWR for PFAS by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable

and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

On April 19, 2024, the EPA issued a final rule to designate PFOA and PFOS as hazardous substances under CERCLA. The Company, along with a coalition of other water and wastewater organizations, is actively advocating for and supporting bipartisan legislation that would provide PFAS liability protections under CERCLA for water and wastewater systems, as passive receivers of PFAS, and to hold polluters, and not the public or customers, accountable for PFAS-related liability.

On October 30, 2024, the EPA published the LCRI with a "Compliance Date" of November 1, 2027. The LCRI focus includes requirements related to (i) replacing all lead and certain galvanized service lines under a utilities control by October 30, 2037, 10 years from the Compliance Date; (ii) identifying the materials of all service lines of unknown material; (iii) improving tap sampling; (iv) lowering the lead action level; and (v) strengthening protections to reduce exposure. The LCRI also deferred the compliance date of certain requirements of the LCRR to allow for compliance with both new rules. The Company is in the process of developing an estimate of capital expenditures and operating costs needed to meet the specific requirements of the LCRI. Capital expenditures and operating costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company continues to comply with the EPA's existing Lead and Copper Rule requirements by replacing lead service lines in accordance with current scientific guidance and utilizing appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

The Company met the LCRR requirements, effective October 16, 2024, identified as enforceable by the EPA. Remaining LCRR requirements are deferred under the LCRI.

Cybersecurity Incident

On October 3, 2024, the Company identified unauthorized activity within its information technology computer networks and systems, which was determined to be the result of a cybersecurity incident. Upon identification of this activity, the Company immediately activated its incident response protocols and third-party cybersecurity experts to assist with containment and mitigation activities and to investigate the nature and scope of the incident. The Company also promptly notified law enforcement and has coordinated fully with them. As part of the incident response, and in order to protect its systems and data, the Company disconnected and deactivated certain of its systems, which have since been reconnected and reactivated upon verification that those systems were secure.

All necessary containment, mitigation and restoration activities related to this incident have been completed. None of the Company's water or wastewater facilities were impacted by this incident, and the incident did not have a material effect on the Company or its financial condition or results of operations. In addition, a number of putative class action lawsuits have been filed in connection with this cybersecurity incident, primarily alleging claims related to federal and/or state consumer protection and data privacy laws, and while the Company believes the claims are without merit and is vigorously defending itself against these claims, it cannot currently predict the outcome or impact of these lawsuits. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits for more information.

Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2024. The amounts include reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Kentucky	(a)	$ 17
New Jersey	September 15, 2024	80
Pennsylvania	August 7, 2024	99
Indiana, Step Increases	(b)	48
West Virginia	February 25, 2024	18
California	January 1, 2024	21
Total general rate case authorizations		$ 283

(a) In 2024, $6 million was effective November 6 and $11 million was effective May 3.
(b) In 2024, $23 million was effective May 10 and $25 million was effective February 21.

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2025. The amounts include reductions for the amortization of EADIT that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Tennessee	January 21, 2025	$ 1
Illinois	January 1, 2025	105
Total general rate case authorizations		$ 106

On January 21, 2025, the Tennessee Public Utility Commission (the "TPUC") approved a motion authorizing an adjustment of water base rates requested in a rate case filed on May 1, 2024, by the Company's Tennessee subsidiary. The TPUC approved an increase of $1 million in annualized revenues, excluding previously recovered infrastructure surcharges of $18 million, based on an authorized return on equity of 9.70%, authorized rate base of approximately $300 million, a common equity ratio of 44.19% and a debt ratio of 55.81%. This adjustment took effect on January 21, 2025, and is driven primarily by approximately $173 million in capital investments made and to be made by the Tennessee subsidiary through December 2025.

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company's Illinois subsidiary. The general rate case order approved an increase of $105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $5 million, based on an authorized return on equity of 9.84%, authorized rate base of $2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The general rate case order denied the second step increase of $16 million. The increase was effective January 1, 2025, and is driven primarily by approximately $557 million in capital investments made and to be made by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the CPUC approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company's California subsidiary's general rate case originally filed on July 1, 2022. Incorporating the currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of $21 million in the 2024 test year, and an estimated $16 million in the 2025 escalation year and $16 million in the 2026 attrition year. New rates were implemented

retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On May 3, 2024, the Kentucky Public Service Commission (the "KPSC") issued an order approving the adjustment of base rates requested in a rate case filed on June 30, 2023, by the Company's Kentucky subsidiary. The general rate case order approved an $11 million annualized increase in water revenues, excluding infrastructure surcharge revenues of $10 million, which continue to be recovered in the Kentucky subsidiary's approved infrastructure mechanism. The annualized increase is based upon an authorized return on equity of 9.70%, authorized rate base of $489 million, which reflects capital investments through January 31, 2025, and a capital structure with a common equity ratio of 52.22%. Interim rates in this proceeding were effective on February 6, 2024, and the order required that the difference between interim and final approved rates be subject to refund no later than August 26, 2024. On May 16, 2024, the Kentucky subsidiary filed with the KPSC a petition for rehearing of the KPSC's order, seeking clarification and/or correction of certain computational inconsistencies that the Kentucky subsidiary believes are reflected in the KPSC's order with respect to the authorized amount of annualized revenues to be received by the Kentucky subsidiary. On November 6, 2024, the KPSC approved a final order (the "Final Order") providing for a $17 million annualized increase in water revenues, an increase of approximately $6 million from May 3, 2024. New rates provided in the Final Order were effective November 6, 2024.

On September 4, 2024, the New Jersey Board of Public Utilities ("NJBPU") issued an order approving without modification the stipulation of settlement of a general rate case filed on January 19, 2024, by the Company's New Jersey subsidiary. The general rate case order approved an $80 million annualized increase in the New Jersey subsidiary's water and wastewater revenues, effective September 15, 2024, based on (i) an authorized return on equity of 9.60%, (ii) an authorized rate base of $5.1 billion, (iii) a common equity ratio of 55.00%, and (iv) a long-term debt ratio of 45.00%. The annualized revenue increase is driven primarily by $1.3 billion of incremental capital investments since the New Jersey subsidiary's last general rate case. The New Jersey subsidiary will continue to defer as a regulatory asset or liability, as appropriate, until its next general rate case, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates.

On July 22, 2024, the PaPUC released an order approving the adjustment of base rates requested in a general rate case filed by the Company's Pennsylvania subsidiary on November 8, 2023. The PaPUC approved a $99 million annualized increase in the Pennsylvania subsidiary's water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $20 million, based on (i) an authorized return on equity of 9.45%, (ii) an authorized rate base of $5.8 billion, which reflects, as requested and included in the general rate case, approximately $1.0 billion in capital investments to be made through mid-2025, (iii) a common equity ratio of 55.30%, and (iv) a long-term debt ratio of 44.70%. Certain acquisitions, including the acquisition of the wastewater collection and treatment system of the Butler Area Sewer Authority, were excluded from authorized base rates. The new rates were effective on August 7, 2024, except that new wastewater rates for two recently acquired systems, including the City of York, will take effect during the first half of 2025 in accordance with the terms of the relevant acquisition agreements. As part of its approval of this rate adjustment, the PaPUC initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary's Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC is expected to conclude the investigation in the second quarter of 2025.

On February 23, 2024, the WVPSC issued an order approving the adjustment of base rates requested in a rate case filed on May 1, 2023, by the Company's West Virginia subsidiary. The general rate case order approved an $18 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $7 million, based on an authorized return on equity of 9.80%, authorized rate base of $886 million, which reflects capital investments through February 2024, a common equity ratio of 50.12% and a long-term debt ratio of 49.88%. The increased water and wastewater revenues related to the base rate adjustment

are being driven primarily by (i) $220 million of related water and wastewater system capital investments made since the completion of the West Virginia subsidiary's previous rate case, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

On February 14, 2024, the Indiana Utility Regulatory Commission (the "IURC") issued an order approving the adjustment of base rates requested in a rate case filed on March 31, 2023, by the Company's Indiana subsidiary. The general rate case order approved a $66 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges, based on an authorized return on equity of 9.65%, authorized rate base of $1.8 billion, a common equity ratio of 56.15% and a debt ratio of 43.85%. For purposes of determining rates, the adjustment is based on an equity component of 48.19% due to the regulatory practice in Indiana of including certain zero-cost items or tax credit balances in the capital structure calculation. The annualized revenue increase will include three step increases, with $25 million of the increase to be included in rates in February 2024, $23 million in May 2024, and $18 million in May 2025. The increases are being driven primarily by (i) over $875 million of water and wastewater system capital investments since the completion of the Indiana subsidiary's last rate case and through April 30, 2025, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On August 2, 2024, the Company's Hawaii subsidiary filed a general rate case requesting approximately $2 million in annualized incremental revenues, which is based on a proposed return on equity of 10.67% and a capital structure with an equity component of 52.11% and debt component of 47.89%. The requested annualized incremental revenue is driven primarily by approximately $41 million in capital investments made and to be made by the Hawaii subsidiary through 2025. The Hawaii subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On July 1, 2024, the Company's Missouri subsidiary filed a general rate case requesting approximately $148 million in annualized incremental revenues. The request is based on a return on equity of 10.75% and a capital structure with an equity component of 50.54% and a long-term debt component of 49.46%. The requested annualized incremental revenue is driven primarily by $1.5 billion of incremental capital investments completed and planned by the Missouri subsidiary from January 2023 through May 2026. On July 31, 2024, the Missouri Public Service Commission issued an order establishing the test year in this case, which modified the Missouri subsidiary's original proposal for a future test year through May 2026, and instead reverted to a true-up period through December 31, 2024, with an allowance for proposed discrete adjustments subsequent to this date. On September 6, 2024, the Missouri subsidiary filed supplemental testimony to revise the request to approximately $123 million in annualized incremental revenues and define the specific discrete adjustments proposed through the rate effective period, which lowered the incremental capital investments completed and planned to $1.1 billion through May 2025. The Missouri subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On May 1, 2024, the Company's Iowa subsidiary filed a general rate case requesting approximately $21 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 52.57% and debt component of 47.43%. The requested annualized revenue increase is driven primarily by approximately $157 million in capital investments made and to be made by the Iowa subsidiary through March 2026. Interim rates became effective May 11, 2024, with the difference between interim and final approved rates subject to refund. On August 29, 2024, the Iowa subsidiary submitted supplemental testimony consistent with the procedural schedule, which was subsequently challenged by the parties in the proceeding. On October 4, 2024, the Iowa Utilities Commission issued an order that granted the inclusion of the supplemental filing and extended the procedural schedule in the case beyond the statutory ten-month period. The Iowa subsidiary now expects resolution of this proceeding by May 2025.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2025, to set its

authorized cost of capital beginning January 1, 2026. On December 18, 2024, the California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2026. On January 14, 2025, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. On September 20, 2024, the Virginia subsidiary filed with the Virginia State Corporation Commission (the "SCC") a "black box" stipulation of settlement on key financial terms which agreed to a $15 million annualized increase in the Virginia subsidiary's revenues. The stipulation of settlement also agreed, solely for purposes of the Virginia subsidiary's future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), that its return on equity will be 9.70% and its capital structure will consist of an equity component of 45.67% and a debt and other component of 54.33%. The stipulation of settlement remains subject to SCC review and approval.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2024:

(In millions)	**Effective Date**	**Amount**
Infrastructure surcharges by state:		
Missouri	(b)	$ 47
Pennsylvania	(c)	21
New Jersey	April 30, 2024	9
Iowa	March 1, 2024	1
West Virginia (a)	March 1, 2024	7
Illinois	January 1, 2024	5
Total infrastructure surcharge authorizations		$ 90

(a) On March 5, 2024, the WVPSC directed the Company's West Virginia subsidiary to interpret the distribution system improvement charge ("DSIC") Order as having included within the DSIC the three-year amortization of a prior authorized deferral associated with a large treatment plant project. The inclusion of this deferral increased the net incremental revenue by $0.7 million to a total of $6.6 million effective March 1, 2024.
(b) In 2024, $21 million was effective July 11 and $26 million was effective January 20.
(c) In 2024, $14 million was effective July 1 and $7 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2025:

(In millions)	**Effective Date**	**Amount**
Infrastructure surcharge filings by state:		
Missouri	February 7, 2025	$ 17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge filings		$ 23

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. On July 8, 2024, the California Supreme Court issued a unanimous opinion concluding that the CPUC did not regularly seek to exercise its authority when it prohibited water utilities from proposing to continue their water revenue adjustment mechanisms. Accordingly, the California Supreme Court vacated the portion of the CPUC's 2020 decision relating to this prohibition against continuation of such water revenue adjustment mechanisms.

Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its 2022 general rate case. On December 5, 2024, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. On December 30, 2024, the New Jersey Appellate Division of the New Jersey Superior Court affirmed the NJBPU decision rejecting the acquisition adjustments. There is no financial impact to the Company as a result of the NJBPU's order and resulting appeal decision, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

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

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Operating revenues	$ 4,684	$ 4,234	$ 3,792
Operating expenses:			
Operation and maintenance	1,858	1,720	1,589
Depreciation and amortization	788	704	649
General taxes	320	307	281
Other	—	(1)	—
Total operating expenses, net	2,966	2,730	2,519
Operating income	1,718	1,504	1,273

(In millions)	For the Years Ended December 31, 2024	2023	2022
Other income (expense):			
Interest expense	(523)	(460)	(433)
Interest Income	94	73	52
Non-operating benefit costs, net	28	32	77
Gain on sale of businesses	—	—	19
Other, net	42	47	20
Total other income (expense)	(359)	(308)	(265)
Income before income taxes	1,359	1,196	1,008
Provision for income taxes	308	252	188
Net income attributable to common shareholders	$ 1,051	$ 944	$ 820

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2023 compared to fiscal 2022, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 14, 2024.

Regulated Businesses Segment

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

(In millions)	For the Years Ended December 31, 2024	2023	2022
Operating revenues	$ 4,296	$ 3,920	$ 3,505
Operation and maintenance	1,517	1,441	1,345
Depreciation and amortization	772	693	633
General taxes	301	288	264
Other operating (income) expense	—	(1)	—
Other income (expense)	(339)	(269)	(220)
Provision for income taxes	302	259	188
Net income attributable to common shareholders	$ 1,065	$ 971	$ 854

Operating Revenues

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

(In millions)	For the Years Ended December 31, 2024	2023	2022
Water services:			
Residential	$ 2,349	$ 2,143	$ 1,941
Commercial	885	798	710
Fire service	164	158	147
Industrial	184	167	153
Public and other	301	284	267
Total water services	3,883	3,550	3,218
Wastewater services:			
Residential	245	228	174
Commercial	70	62	45
Industrial	12	8	4
Public and other	36	29	19
Total wastewater services	363	327	242
Other (a)	50	43	45
Total operating revenues	$ 4,296	$ 3,920	$ 3,505

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

(Gallons in millions)	For the Years Ended December 31, 2024	2023	2022
Billed water services volumes:			
Residential	163,583	160,921	162,105
Commercial	80,385	78,404	77,627
Industrial	37,217	36,404	37,265
Fire service, public and other	54,700	54,236	51,966
Total billed water services volumes	335,885	329,965	328,963

In 2024, as compared to 2023, operating revenues increased $376 million, primarily due to: (i) a $288 million increase from authorized rate increases, including infrastructure surcharges, principally to recover infrastructure investment in various states; (ii) a $41 million increase from water and wastewater acquisitions and organic growth in existing systems; (iii) a $26 million increase from changes in customer demand; and (iv) a $17 million net increase as a result of reduced amortization of EADIT, primarily in the Company's Missouri subsidiary.

Operation and Maintenance

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

(In millions)	For the Years Ended December 31, 2024	2023	2022
Employee-related costs	$ 543	$ 513	$ 505
Production costs	458	438	387
Operating supplies and services	274	255	242

(In millions)	For the Years Ended December 31, 2024	2023	2022
Maintenance materials and supplies	97	102	96
Customer billing and accounting	72	65	59
Other	73	68	56
Total operation and maintenance expense	$ 1,517	$ 1,441	$ 1,345

Employee-Related Costs

(In millions)	For the Years Ended December 31, 2024	2023	2022
Salaries and wages	$ 434	$ 413	$ 395
Group insurance	69	60	59
Pensions	7	9	21
Other benefits	33	31	30
Total employee-related costs	$ 543	$ 513	$ 505

In 2024, as compared to 2023, employee-related costs increased $30 million primarily due to an increase in salaries and wages due to merit increases, which was partially offset by higher capitalized labor and overhead rates.

Production Costs

(In millions)	For the Years Ended December 31, 2024	2023	2022
Purchased water	$ 180	$ 161	$ 154
Fuel and power	112	108	104
Chemicals	107	105	78
Waste disposal	59	64	51
Total production costs	$ 458	$ 438	$ 387

In 2024, as compared to 2023, production costs increased $20 million primarily from higher purchased water cost and usage.

Operating Supplies and Services

In 2024, as compared to 2023, operating supplies and services increased $19 million primarily due to higher contracted services and software licensing costs as well as an increase in various other operating expenses.

Depreciation and Amortization

In 2024, as compared to 2023, depreciation and amortization increased $79 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2024, as compared to 2023, general taxes increased $13 million primarily due to incremental property taxes and New Jersey Gross Receipts Tax.

Other Income (Expense)

In 2024, as compared to 2023, other expenses increased $70 million primarily due to higher interest expense from the issuance of incremental long-term debt and a decrease in AFUDC in 2024.

Provision for Income Taxes

In 2024, as compared to 2023, the Regulated Businesses' provision for income taxes increased $43 million. The Regulated Businesses' effective income tax rate was 22.1% and 21.1% for the years ended December 31, 2024 and 2023, respectively. The increase was primarily due to the decrease in the amortization of EADIT, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
	2024	2023	2022
(In millions)			
Operating revenues	$ 388	$ 314	$ 287
Operation and maintenance	341	279	244
Depreciation and amortization	16	11	16
General taxes	19	19	17
Interest expense	(107)	(96)	(119)
Interest income	77	45	50
Gain on sale of businesses	—	—	19
Other income	10	12	6
Provision for (benefit from) income taxes	6	(7)	—
Net loss attributable to common shareholders	$ (14)	$ (27)	$ (34)

Operating Revenues

In 2024, as compared to 2023, operating revenues increased $74 million from an increase in capital projects in MSG, primarily at Naval Station Mayport, and an increase in capital projects in CSG.

Operation and Maintenance

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

	For the Years Ended December 31,		
	2024	2023	2022
(In millions)			
Operating supplies and services	$ 195	$ 150	$ 120
Maintenance materials and supplies	27	29	35
Employee-related costs	101	85	73
Production costs	10	9	10
Other	8	6	6
Total operation and maintenance expense	$ 341	$ 279	$ 244

Operating Supplies and Services

In 2024, as compared to 2023, operating supplies and services increased $45 million primarily due to costs associated with the increased capital projects in MSG.

Employee-Related Costs

In 2024, as compared to 2023, employee-related costs increased $16 million primarily due to an increase in salaries and wages.

Interest Income

In 2024, as compared to 2023, interest income increased $32 million primarily due to the increased interest rate and higher principal balance from the February 2024 amendment of the secured seller promissory note from the sale of HOS. See Note 5—Acquisitions and Divestitures—Sale of Homeowner Services Group, in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a 15% CAMT provision on applicable corporations effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1.0 billion. An applicable corporation must make several adjustments to net income when determining AFSI. A corporation paying CAMT is eligible for a future tax credit, which can be utilized when regular tax exceeds CAMT. Based on current guidance, the Company is an applicable corporation subject to CAMT beginning in 2024 and expects to owe CAMT in excess of the regular tax liability. On September 12, 2024, the Internal Revenue Service (the "IRS") and the U.S. Treasury issued Notice 2024-66, allowing corporate taxpayers to exclude amounts attributable to the CAMT liability, without penalty, from estimated tax payments with respect to a taxable year that begins during 2024. The Company will include the CAMT liability in its 2024 extension payment due April 15, 2025. The Company will continue to assess the impacts of the IRA as the U.S. Treasury and the IRS provide further guidance.

Legislative Updates

During 2024 and 2025, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 19, 2025:

- New Jersey passed Assembly Bill 4791, establishing the "Resiliency and Environmental System Investment Charge Program," which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance such as existing and proposed requirements for PFAS, safety, and public health. Legislation was signed by the Governor and became effective on January 12, 2024.
- Indiana passed Senate Bill 5, which provides access to a property by a water utility to replace lead service lines when a landowner does not enroll in the offered lead service line replacement program, does not personally replace the customer owned portion of the lead service line following notice and a 45-day waiting period, or is non-responsive to attempted communication after the 45-day waiting period. Legislation was signed by the Governor and became effective on March 11, 2024.
- Iowa passed House File 207, which modifies property tax assessments to exempt property owned or operated by a public or private utility and is directly and primarily used for furnishing sanitary sewage or storm water drainage disposal by a piped collection system to the public for compensation. Legislation was signed by the Governor and became effective on May 2, 2024.
- West Virginia passed House Bill 5617, which adopts standards and authorizes the WVPSC to promulgate rules, and also allows for rate recovery, on maintenance, flushing, flow testing and marking of fire hydrants owned by water utilities. Legislation was signed by the Governor and became effective on June 4, 2024.

- Iowa passed House File 2101, which increases the threshold amount required for approval by the Iowa Utilities Commission for water and wastewater utility acquisition filings from $0.5 million to $3 million. Legislation was signed by the Governor and became effective on July 1, 2024.
- Indiana passed Senate Bill 247, which establishes a 30-day filing with the IURC by a utility for an acquisition of a utility with an appraised value and purchase price of less than $3 million. Legislation was signed by the Governor became effective on July 1, 2024.
- California passed Senate Bill 219, which amends the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, to allow the California Air Resources Board until July 1, 2025, to issue implementing regulations, including reporting requirements for Scope 3 emissions. Legislation was signed by the Governor on September 27, 2024, and became effective January 1, 2025.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of payments under a secured seller promissory note, plus interest, see Note 5—Acquisitions and Divestitures—Sale of Homeowner Services Group, in the Notes to Consolidated Financial Statements for additional information. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, AWCC issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sub-limit for the issuance of up to $150 million in letters of credit. The

maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. On October 28, 2024, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2028 to October 2029. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of December 31, 2024, AWCC had no outstanding borrowings and $82 million of outstanding letters of credit under its revolving credit facility, with $1.8 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

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

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes and overall economic conditions. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

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

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Net income	$ 1,051	$ 944	$ 820
Add (less):			
Depreciation and amortization	788	704	649
Deferred income taxes and amortization of investment tax credits	156	208	80
Other non-cash activities (a)	62	(9)	(16)
Changes in assets and liabilities (b)	40	76	(355)
Pension and non-pension postretirement benefit contributions	(52)	(49)	(51)
Gain on sale of businesses	—	—	(19)
Net cash provided by operating activities	$ 2,045	$ 1,874	$ 1,108

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in assets and liabilities include changes to receivables and unbilled revenues, income tax receivable, accounts payable, accrued liabilities, accrued taxes and other assets and liabilities, net.

In 2024, cash flows provided by operating activities increased $171 million, primarily due to an increase in net income and depreciation, partially offset by changes in deferred income taxes.

The Company expects to make pension contributions to the plan trusts of $44 million in 2025. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

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

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Capital expenditures	$ (2,856)	$ (2,575)	$ (2,297)
Acquisitions, net of cash acquired	(417)	(81)	(315)
Proceeds from sale of assets, net of cash on hand	—	—	608
Removal costs from property, plant and equipment retirements, net	(152)	(159)	(123)
Purchases of available-for-sale fixed-income securities	(135)	—	—
Proceeds from sales and maturities of available-for-sale fixed-income securities	181	—	—
Net cash used in investing activities	$ (3,379)	$ (2,815)	$ (2,127)

In 2024, cash flows used in investing activities increased $564 million as a result of increased payments for capital expenditures and acquisitions in 2024. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth, and meet new or updated environmental and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

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

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Transmission and distribution	$ 882	$ 922	$ 901
Treatment and pumping	305	322	190
Services, meter and fire hydrants	805	652	546
General structure and equipment	425	333	380
Sources of supply	163	88	95
Wastewater	276	258	185
Total capital expenditures	$ 2,856	$ 2,575	$ 2,297

In 2024, the Company's capital expenditures increased $281 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During

2024, the Company paid $417 million to fund acquisitions, including deposits for pending acquisitions. The Company closed on 13 acquisitions of various regulated water and wastewater systems during 2024, which added approximately 69,500 water and wastewater customers.

As previously noted, over the next five years the Company expects to invest between $17 billion to $18 billion, with $15.5 billion to $16 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $40 billion to $42 billion over the next 10 years. In 2025, the Company expects to invest $3.3 billion, consisting of infrastructure improvements and acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

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

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Proceeds from long-term debt	$ 1,437	$ 1,264	$ 822
Repayments of long-term debt	(475)	(282)	(15)
Net proceeds from common stock financing	—	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	700	(996)	591
Debt issuance costs	(14)	(16)	(7)
Dividends paid	(585)	(532)	(467)
Other financing activities, net (a)	47	62	76
Net cash provided by financing activities	$ 1,110	$ 1,188	$ 1,000

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

In 2024, cash flows provided by financing activities decreased $78 million, primarily due to the repayment of long-term debt in the current period and the proceeds from the common stock financing in March 2023. These decreases were partially offset by a higher issuance of long-term debt and an increase in short-term commercial paper borrowings in the current year.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC and equity issuances from parent company. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2024, AWCC has made long-term fixed rate loans and short-term loans to the Regulated Businesses amounting to $9.6 billion. Additionally, as of December 31, 2024, AWCC has made long-term fixed rate loans and short-term loans to parent company amounting to $3.3 billion.

On February 23, 2024, AWCC completed a $1.4 billion debt offering, which included the sale of $700 million aggregate principal amount of its 5.150% Senior Notes due 2034 and $700 million aggregate principal amount of its 5.450% Senior Notes due 2054. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately

$1,381 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC's 3.850% Senior Notes due 2024; (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC and for general corporate purposes.

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of the Notes. AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. See Note 11—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

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

During the second half of 2024, the Company entered into eight treasury lock agreements, with a term of 10 years or 30 years, with notional amounts totaling $355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed interest rate of 4.03%. In 2025, the Company entered into five additional treasury lock agreements, with a term of 10 years, with notional amounts totaling $275 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in March 2025 and have an average fixed interest rate of 4.60%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss.

The Company had entered into 15 treasury lock agreements through February 2024, with notional amounts totaling $825 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In February 2024, the Company terminated the treasury lock agreements realizing a pre-tax net gain of $14 million, to be amortized through Interest expense over a 10-year period or 30-year period, in accordance with the tenor of the notes issued on February 23, 2024.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2024, 2023 or 2022.

In February 2024, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2027. During 2024 and 2022, $1.4 billion and $800 million, respectively, of debt securities were issued under this and a predecessor registration statement. During 2023, under the predecessor registration statement, parent company issued 12,650,000 shares of its common stock for aggregate net proceeds of approximately $1,688 million.

Presented in the table below are the issuances of long-term debt in 2024:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	5.15%-5.45%	5.30%	2034-2054	$ 1,400
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	0.01%	2025-2061	46
Total issuances					$ 1,446

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

Presented in the table below are the retirements and redemptions of long-term debt in 2024 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Senior notes—fixed rate	3.85%	3.85%	2024	$ 400
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.53%	2024-2061	14
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.99%-7.17%	7.13%	2024	60
Total retirements and redemptions					$ 475

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

Issuer and Guarantor of Senior Notes

Outstanding unsecured senior notes issued by AWCC (other than the Notes) have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The Notes were issued under an indenture, by and among AWCC, parent company and U.S. Bank Trust Company, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the Notes. The senior notes and the Notes have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. No other subsidiary of parent company provides guarantees for any of such indebtedness. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes or the Notes, parent company will provide to AWCC, at its request or the request of any holder thereof, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any such holder, when due, the support agreement provides that such holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

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

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

Credit Facilities and Short-Term Debt

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

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

	2024		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(880)	(82)	(962)
Remaining availability as of December 31, 2024	$ 1,720	$ 68	$ 1,788

(a) Total remaining availability of $1.8 billion as of December 31, 2024, was accessible through revolver draws.

	2023		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$ 2,495

(a) Total remaining availability of $2.5 billion as of December 31, 2023, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2024 and 2023:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2024	$ 96	$ 1,788	$ 1,884
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.65% and 5.51%, for the years ended December 31, 2024 and 2023, respectively.

Capital Structure

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

	2024	2023	2022
Total common shareholders' equity	42.4%	44.2%	38.3%
Long-term debt and redeemable preferred stock at redemption value	51.4%	52.9%	54.4%
Short-term debt and current portion of long-term debt	6.2%	2.9%	7.3%
Total	100%	100%	100%

The change in the capital structure mix in 2024 is mainly attributable to the increase in short-term commercial paper borrowings. The use of the proceeds from the common stock issuance on March 3, 2023, and the long-term debt issuance on June 29, 2023, reduced short-term commercial paper borrowings in 2023.

Debt Covenants

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

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2024, the Company's ratio was 0.58 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 19, 2025, as issued by Moody's Ratings on January 23, 2025, and S&P Global Ratings on March 4, 2024:

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

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. The Company does not have any material borrowings that are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

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

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

Dividends and Regulatory Restrictions

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

Insurance Coverage

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

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and develop estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with the Company's Audit, Finance and Risk

Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2024, the Company concluded that the operations of its utilities met the criteria.

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

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

As of December 31, 2024 and 2023, the Company's regulatory asset balance was $1.2 billion and $1.1 billion, respectively, and its regulatory liability balance was $1.4 billion and $1.5 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

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

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax

position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

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

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

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2024 and 2023, are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

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

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality—Management adopted the Society of Actuaries Pri-2012 base mortality table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.70%, 5.18% and 5.58% at December 31, 2024, 2023 and 2022, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.69%, 5.22% and 5.60% at December 31, 2024, 2023 and 2022, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.73% for 2024, 6.79% for 2023 and 6.50% for 2022. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 5.00% for 2024, 5.00% for 2023 and 3.60% for 2022.

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

Asset Category	2025 Target Allocation	Percentage of Plan Assets as of December 31,	
		2024	2023
Equity securities	37%	44%	41%
Fixed income	63%	56%	59%
Total	100%	100%	100%

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

Asset Category	2025 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2024	2023
Equity securities	27%	34%	32%
Fixed income	73%	66%	68%
Total	100%	100%	100%

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

The investments of the pension and postretirement welfare plan trusts are invested in a number of separately managed accounts, commingled funds and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2024, 2023 and 2022.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2024, the Company's health care cost trend rate assumption used to calculate the periodic benefit cost was 6.75% in 2024 gradually declining to 5.00% in 2031 and thereafter. As of December 31, 2024, the Company projects that medical inflation will be 6.50% in 2025 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.70% and 6.63%, respectively, for estimating its 2025 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.69% and 5.00%, respectively, for estimating its 2025 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2024 pension and postretirement total net benefit credit was $3 million and the 2023 pension and postretirement total net benefit credit was $6 million. The Company expects to make pension contributions to the plan trusts of $44 million in 2025; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Revenue Recognition

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

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2024 and 2023 was $219 million and $193 million, respectively.

The Company also recognizes revenues for certain ratemaking mechanisms that meet the criteria for alternative revenue program accounting. These mechanisms, which include the Company's revenue stability mechanisms, qualify as alternative revenue programs if they have been authorized for rate recovery, are objectively determinable and probable of recovery, and are expected to be collected within 24 months following the end of the period in which they were recognized.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers

simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues or other long-term assets, with billings in excess of revenues recorded as other current or long-term liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2024 and 2023, was $96 million and $109 million, respectively.

Accounting for Contingencies

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

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

Recent Accounting Standards

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2024, a hypothetical 1% increase in average interest rates applied to the Company's short-term borrowing balances throughout 2024 would result in an increased annual interest expense of approximately $2 million.

As of December 31, 2024, the Company had eight treasury lock agreements, each with a term of 10 years or 30 years, with notional amounts totaling $355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed rate of 4.03%. When entering into treasury locks, the Company is subject to market risk with respect to

changes in the underlying benchmark interest rate that impacts the fair value of the treasury locks. The Company manages market risk by matching the terms of the treasury locks with the critical terms of the expected debt issuance. The fair value of the treasury locks at December 31, 2024, was in a gain position of $24 million. A hypothetical 1% favorable change in interest rates would result in an increase in the fair value of the treasury locks to a gain position of approximately $60 million at December 31, 2024.

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

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Audited Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	95
Consolidated Balance Sheets as of December 31, 2024 and 2023	98
Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022	100
Consolidated Statements of Comprehensive Income for the years ended December 31, 2024, 2023 and 2022	101
Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022	102
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2024, 2023 and 2022	103
Notes to Consolidated Financial Statements	104

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

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

Critical Audit Matters

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

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,169 million and $1,416 million, respectively, as of December 31, 2024. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

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

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

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

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 19, 2025

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2024	December 31, 2023
ASSETS		
Property, plant and equipment	$ 35,059	$ 32,189
Accumulated depreciation	(7,021)	(6,751)
Property, plant and equipment, net	28,038	25,438
Current assets:		
Cash and cash equivalents	96	330
Restricted funds	29	34
Accounts receivable, net of allowance for uncollectible accounts of $53 and $51, respectively	416	339
Income tax receivable	25	86
Unbilled revenues	315	302
Materials and supplies	103	112
Other	231	186
Total current assets	1,215	1,389
Regulatory and other long-term assets:		
Regulatory assets	1,150	1,106
Secured seller promissory note from the sale of the Homeowner Services Group	795	720
Operating lease right-of-use assets	89	86
Goodwill	1,144	1,143
Other	399	416
Total regulatory and other long-term assets	3,577	3,471
Total assets	$ 32,830	$ 30,298

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2024	December 31, 2023
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,371,701 and 200,144,968 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,598	8,550
Retained earnings	2,112	1,659
Accumulated other comprehensive income (loss)	12	(26)
Treasury stock, at cost (5,451,216 and 5,414,867 shares, respectively)	(392)	(388)
Total common shareholders' equity	10,332	9,797
Long-term debt	12,518	11,715
Redeemable preferred stock at redemption value	3	3
Total long-term debt	12,521	11,718
Total capitalization	22,853	21,515
Current liabilities:		
Short-term debt	879	179
Current portion of long-term debt	637	475
Accounts payable	346	294
Accrued liabilities	791	791
Accrued taxes	156	67
Accrued interest	111	93
Other	230	252
Total current liabilities	3,150	2,151
Regulatory and other long-term liabilities:		
Advances for construction	383	352
Deferred income taxes and investment tax credits	2,881	2,717
Regulatory liabilities	1,416	1,481
Operating lease liabilities	76	73
Accrued pension expense	217	262
Other	277	196
Total regulatory and other long-term liabilities	5,250	5,081
Contributions in aid of construction	1,577	1,551
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	$ 32,830	$ 30,298

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2024	2023	2022
Operating revenues	$4,684	$4,234	$3,792
Operating expenses:			
Operation and maintenance	1,858	1,720	1,589
Depreciation and amortization	788	704	649
General taxes	320	307	281
Other	—	(1)	—
Total operating expenses, net	2,966	2,730	2,519
Operating income	1,718	1,504	1,273
Other income (expense):			
Interest expense	(523)	(460)	(433)
Interest income	94	73	52
Non-operating benefit costs, net	28	32	77
Gain on sale of businesses	—	—	19
Other, net	42	47	20
Total other income (expense)	(359)	(308)	(265)
Income before income taxes	1,359	1,196	1,008
Provision for income taxes	308	252	188
Net income attributable to common shareholders	$1,051	$ 944	$ 820
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 5.39	$ 4.90	$ 4.51
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 5.39	$ 4.90	$ 4.51
Weighted average common shares outstanding:			
Basic	195	193	182
Diluted	195	193	182

(a) Amounts may not calculate due to rounding.

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2024	**2023**	**2022**
Net income attributable to common shareholders	$ 1,051	$ 944	$ 820
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $0, $(2) and $5 in 2024, 2023 and 2022, respectively	1	(3)	14
Defined benefit pension plan amortization of actuarial loss, net of tax of $0, $0 and $1 in 2024, 2023 and 2022, respectively	—	4	3
Unrealized gain (loss) on cash flow hedges, net of tax of $9, $0 and $1 in 2024, 2023 and 2022, respectively	39	(8)	5
Unrealized (loss) gain on available-for-sale fixed-income securities, net of tax of $0 in 2024, 2023 and 2022	(2)	4	—
Net other comprehensive income (loss)	38	(3)	22
Comprehensive income attributable to common shareholders	$ 1,089	$ 941	$ 842

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2024	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,051	$ 944	$ 820
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	788	704	649
Deferred income taxes and amortization of investment tax credits	156	208	80
Provision for losses on accounts receivable	31	24	24
Gain on sale of businesses	—	—	(19)
Pension and non-pension postretirement benefits	(3)	(6)	(47)
Other non-cash, net	34	(27)	7
Changes in assets and liabilities:			
Receivables and unbilled revenues	(107)	(56)	(114)
Income tax receivable	61	28	(110)
Pension and non-pension postretirement benefit contributions	(52)	(49)	(51)
Accounts payable and accrued liabilities	111	70	(8)
Accrued taxes	92	21	(118)
Other assets and liabilities, net	(117)	13	(5)
Net cash provided by operating activities	2,045	1,874	1,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,856)	(2,575)	(2,297)
Acquisitions, net of cash acquired	(417)	(81)	(315)
Proceeds from sale of assets, net of cash on hand	—	—	608
Removal costs from property, plant and equipment retirements, net	(152)	(159)	(123)
Purchases of available-for-sale fixed-income securities	(135)	—	—
Proceeds from sales and maturities of available-for-sale fixed-income securities	181	—	—
Net cash used in investing activities	(3,379)	(2,815)	(2,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt, net of discount	1,437	1,264	822
Repayments of long-term debt	(475)	(282)	(15)
Net proceeds from common stock financing	—	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	700	(996)	591
Advances and contributions in aid of construction, net of refunds of $33, $25 and $19 in 2024, 2023 and 2022, respectively	39	60	74
Debt issuance costs	(14)	(16)	(7)
Dividends paid	(585)	(532)	(467)
Other, net	8	2	2
Net cash provided by financing activities	1,110	1,188	1,000
Net (decrease) increase in cash, cash equivalents and restricted funds	(224)	247	(19)
Cash, cash equivalents and restricted funds at beginning of period	364	117	136
Cash, cash equivalents and restricted funds at end of period	$ 140	$ 364	$ 117
Cash paid (received) during the year for:			
Interest, net of capitalized amount	$ 483	$ 445	$ 414
Income taxes, net of refunds of $5, $30 and $2 in 2024, 2023 and 2022, respectively	$ (5)	$ —	$ 335
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 347	$ 399	$ 330

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(In millions, except per share data)

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends ($2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	944	—	—	—	944
Common stock issuances (a)	12.7	—	1,726	—	—	(0.1)	(11)	1,715
Net other comprehensive loss	—	—	—	—	(3)	—	—	(3)
Dividends ($2.83 declared per common share)	—	—	—	(552)	—	—	—	(552)
Balance as of December 31, 2023	200.1	$ 2	$ 8,550	$ 1,659	$ (26)	(5.5)	$ (388)	$ 9,797
Net income attributable to common shareholders	—	—	—	1,051	—	—	—	1,051
Common stock issuances (a)	0.3	—	48	—	—	—	(4)	44
Net other comprehensive income	—	—	—	—	38	—	—	38
Dividends ($3.06 declared per common share)	—	—	—	(598)	—	—	—	(598)
Balance as of December 31, 2024	200.4	$ 2	$ 8,598	$ 2,112	$ 12	(5.5)	$ (392)	$ 10,332

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

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

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other." See Note 20—Segment Information for additional information.

Note 2: Significant Accounting Policies

Regulation

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

Use of Estimates

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

Principles of Consolidation

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

Property, Plant and Equipment

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

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

Nonutility property consists primarily of buildings and equipment utilized by the Military Services Group ("MSG") and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

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

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs, net of amortization, amounted to $398 million and $419 million as of December 31, 2024 and 2023, respectively.

Cash and Cash Equivalents, and Restricted Funds

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

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

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the years ended December 31:

	2024	2023
Cash and cash equivalents	$ 96	$ 330
Restricted funds	29	34
Restricted funds included in other long-term assets	15	—
Cash and cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 140	$ 364

Accounts Receivable and Unbilled Revenues

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

Allowance for Uncollectible Accounts

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

Materials and Supplies

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

Seller Promissory Note

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

Leases

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

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

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

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

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

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

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

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

Impairment of Long-Lived Assets

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

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

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

Advances for Construction and Contributions in Aid of Construction

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

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2024 and 2023, on the Consolidated Balance Sheets are estimated refunds of $21 million and $18 million, respectively. These amounts represent expected refunds during the next 12-month period.

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

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions in aid of construction balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions in aid of construction, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $46 million, $40 million and $37 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Revenue Recognition

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

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

Regulated Businesses Revenue

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

The Company recognizes revenues for certain ratemaking mechanisms that meet the criteria for alternative revenue program accounting. These mechanisms, which include the Company's revenue stability mechanisms, qualify as alternative revenue programs if they have been authorized for rate recovery, are objectively determinable and probable of recovery and are expected to be collected within 24 months following the end of the period in which they were recognized. For mechanisms that meet these criteria, the Company adjusts revenue and records an offsetting regulatory asset or liability once the condition or event allowing additional billing or refund has occurred. See Note 4—Revenue Recognition for disaggregated revenue information.

Other Revenue

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

Income Taxes

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

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

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

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

Allowance for Funds Used During Construction

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

	2024	2023	2022
Allowance for other funds used during construction	$ 38	$ 41	$ 20
Allowance for borrowed funds used during construction	21	24	14

Derivative Financial Instruments

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

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

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

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

Pension and Other Postretirement Benefits

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

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

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2024:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Segment Reporting	The guidance in this standard expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Additionally, the guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss, provides new segment disclosure requirements for entities with a single reportable segment, and other disclosure requirements.	Fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024	Retrospective	The Company adopted the standard as of December 31, 2024, including a recast of 2023 and 2022 information, by including additional required disclosures within the Notes to the Consolidated Financial Statements. See Note 20—Segment Information for further details.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2024:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure requirements.	Annual periods beginning after December 15, 2024	Prospective, with retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.
Income Statement Disaggregation	The guidance in this standard enhances disclosures related to income statement expenses to further disaggregate expenses in the footnotes to the financial statements. The standard requires disaggregation of any relevant expense caption presented on the face of the income statement that contains the following expense categories: purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion. Further, the standard requires disclosure of the total amount and the entity's definition of selling expenses.	Annual periods beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Induced Conversions of Convertible Debt Instruments	The guidance in this standard clarifies the requirements for determining whether to account for certain settlements of convertible debt instruments as induced conversions or extinguishments. The guidance requires an entity to account for a settlement as an induced conversion if the inducement offer includes the issuance of all of the consideration issuable under the conversion privileges provided in the terms of the existing convertible debt instrument.	Annual periods beginning after December 15, 2025 and interim reporting period within those annual reporting periods	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Reclassifications

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

Note 3: Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2024. The amounts include reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Kentucky	(a)	$ 17
New Jersey	September 15, 2024	80
Pennsylvania	August 7, 2024	99
Indiana, Step Increases	(b)	48
West Virginia	February 25, 2024	18
California	January 1, 2024	21
Total general rate case authorizations		$ 283

(a) In 2024, $6 million was effective November 6 and $11 million was effective May 3.

(b) In 2024, $23 million was effective May 10 and $25 million was effective February 21.

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2025. The amounts include reductions for the amortization of EADIT that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Tennessee	January 21, 2025	$ 1
Illinois	January 1, 2025	105
Total general rate case authorizations		$ 106

On January 21, 2025, the Tennessee Public Utility Commission (the "TPUC") approved a motion authorizing an adjustment of water base rates requested in a rate case filed on May 1, 2024, by the Company's Tennessee subsidiary. The TPUC approved an increase of $1 million in annualized revenues, excluding previously recovered infrastructure surcharges of $18 million, based on an authorized return on equity of 9.70%, authorized rate base of approximately $300 million, a common equity ratio of 44.19% and a debt ratio of 55.81%. This adjustment took effect on January 21, 2025, and is driven primarily by approximately $173 million in capital investments made and to be made by the Tennessee subsidiary through December 2025.

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company's Illinois subsidiary. The general rate case order approved an increase of $105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $5 million, based on an authorized return on equity of 9.84%, authorized rate base of $2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The general rate case order denied the second step increase of $16 million. The increase was effective January 1, 2025, and is driven primarily by approximately $557 million in capital investments made and to be made by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the California Public Utilities Commission (the "CPUC") approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company's California subsidiary's general rate case originally filed on July 1, 2022. Incorporating the currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of $21 million in the 2024 test year, and an estimated $16 million in the 2025 escalation year and $16 million in the 2026 attrition year. New rates were implemented retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On May 3, 2024, the Kentucky Public Service Commission (the "KPSC") issued an order approving the adjustment of base rates requested in a rate case filed on June 30, 2023, by the Company's Kentucky subsidiary. The general rate case order approved an $11 million annualized increase in water revenues, excluding infrastructure surcharge revenues of $10 million, which continue to be recovered in the Kentucky subsidiary's approved infrastructure mechanism. The annualized increase is based upon an authorized return on equity of 9.70%, authorized rate base of $489 million, which reflects capital investments through January 31, 2025, and a capital structure with a common equity ratio of 52.22%. Interim rates in this proceeding were effective on February 6, 2024, and the order required that the difference between interim and final approved rates be subject to refund no later than August 26, 2024. On May 16, 2024, the Kentucky subsidiary filed with the KPSC a petition for rehearing of the KPSC's order, seeking clarification and/or correction of certain computational inconsistencies that the Kentucky subsidiary believes are reflected in the KPSC's order with respect to the authorized amount of annualized revenues to be received by the Kentucky subsidiary. On November 6, 2024, the KPSC approved a final order (the "Final Order") providing for a $17 million annualized increase in water revenues, an increase of approximately $6 million from May 3, 2024. New rates provided in the Final Order were effective November 6, 2024.

On September 4, 2024, the New Jersey Board of Public Utilities ("NJBPU") issued an order approving without modification the stipulation of settlement of a general rate case filed on January 19, 2024, by the Company's New Jersey subsidiary. The general rate case order approved an $80 million annualized increase in the New Jersey subsidiary's water and wastewater revenues, effective September 15, 2024, based on (i) an authorized return on equity of 9.60%, (ii) an authorized rate base of $5.1 billion, (iii) a common equity ratio of 55.00%, and (iv) a long-term debt ratio of 45.00%. The annualized revenue increase is driven primarily by $1.3 billion of incremental capital investments since the New Jersey subsidiary's last general rate case. The New

Jersey subsidiary will continue to defer as a regulatory asset or liability, as appropriate, until its next general rate case, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates.

On July 22, 2024, the Pennsylvania Public Utility Commission (the "PaPUC") released an order approving the adjustment of base rates requested in a general rate case filed by the Company's Pennsylvania subsidiary on November 8, 2023. The PaPUC approved a $99 million annualized increase in the Pennsylvania subsidiary's water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $20 million, based on (i) an authorized return on equity of 9.45%, (ii) an authorized rate base of $5.8 billion, which reflects, as requested and included in the general rate case, approximately $1.0 billion in capital investments to be made through mid-2025, (iii) a common equity ratio of 55.30%, and (iv) a long-term debt ratio of 44.70%. Certain acquisitions, including the acquisition of the wastewater collection and treatment system of the Butler Area Sewer Authority, were excluded from authorized base rates. The new rates were effective on August 7, 2024, except that new wastewater rates for two recently acquired systems, including the City of York, will take effect during the first half of 2025 in accordance with the terms of the relevant acquisition agreements. As part of its approval of this rate adjustment, the PaPUC initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary's Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC is expected to conclude the investigation in the second quarter of 2025.

On February 23, 2024, the West Virginia Public Service Commission (the "WVPSC") issued an order approving the adjustment of base rates requested in a rate case filed on May 1, 2023, by the Company's West Virginia subsidiary. The general rate case order approved an $18 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $7 million, based on an authorized return on equity of 9.80%, authorized rate base of $886 million, which reflects capital investments through February 2024, a common equity ratio of 50.12% and a long-term debt ratio of 49.88%. The increased water and wastewater revenues related to the base rate adjustment are being driven primarily by (i) $220 million of related water and wastewater system capital investments made since the completion of the West Virginia subsidiary's previous rate case, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

On February 14, 2024, the Indiana Utility Regulatory Commission issued an order approving the adjustment of base rates requested in a rate case filed on March 31, 2023, by the Company's Indiana subsidiary. The general rate case order approved a $66 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges, based on an authorized return on equity of 9.65%, authorized rate base of $1.8 billion, a common equity ratio of 56.15% and a debt ratio of 43.85%. For purposes of determining rates, the adjustment is based on an equity component of 48.19% due to the regulatory practice in Indiana of including certain zero-cost items or tax credit balances in the capital structure calculation. The annualized revenue increase will include three step increases, with $25 million of the increase to be included in rates in February 2024, $23 million in May 2024, and $18 million in May 2025. The increases are being driven primarily by (i) over $875 million of water and wastewater system capital investments since the completion of the Indiana subsidiary's last rate case and through April 30, 2025, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On August 2, 2024, the Company's Hawaii subsidiary filed a general rate case requesting approximately $2 million in annualized incremental revenues, which is based on a proposed return on equity of 10.67% and a capital structure with an equity component of 52.11% and debt component of 47.89%. The requested annualized incremental revenue is driven primarily by approximately $41 million in capital investments made and to be made by the Hawaii subsidiary through 2025. The Hawaii subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On July 1, 2024, the Company's Missouri subsidiary filed a general rate case requesting approximately $148 million in annualized incremental revenues. The request is based on a return on equity of 10.75% and a capital structure with an equity component of 50.54% and a long-term debt component of 49.46%. The requested annualized incremental revenue is driven primarily by $1.5 billion of incremental capital investments completed and planned by the Missouri subsidiary from January 2023 through May 2026. On July 31, 2024, the Missouri Public Service Commission issued an order establishing the test year in this case, which modified the Missouri subsidiary's original proposal for a future test year through May 2026, and instead reverted to a true-up period through December 31, 2024, with an allowance for proposed discrete adjustments subsequent to this date. On September 6, 2024, the Missouri subsidiary filed supplemental testimony to revise the request to approximately $123 million in annualized incremental revenues and define the specific discrete adjustments proposed through the rate effective period, which lowered the incremental capital investments completed and planned to $1.1 billion through May 2025. The Missouri subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On May 1, 2024, the Company's Iowa subsidiary filed a general rate case requesting approximately $21 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 52.57% and debt component of 47.43%. The requested annualized revenue increase is driven primarily by approximately $157 million in capital investments made and to be made by the Iowa subsidiary through March 2026. Interim rates became effective May 11, 2024, with the difference between interim and final approved rates subject to refund. On August 29, 2024, the Iowa subsidiary submitted supplemental testimony consistent with the procedural schedule, which was subsequently challenged by the parties in the proceeding. On October 4, 2024, the Iowa Utilities Commission issued an order that granted the inclusion of the supplemental filing and extended the procedural schedule in the case beyond the statutory ten-month period. The Iowa subsidiary now expects resolution of this proceeding by May 2025.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026. On December 18, 2024, the California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2026. On January 14, 2025, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. On September 20, 2024, the Virginia subsidiary filed with the Virginia State Corporation Commission (the "SCC") a "black box" stipulation of settlement on key financial terms which agreed to a $15 million annualized increase in the Virginia subsidiary's revenues. The stipulation of settlement also agreed, solely for purposes of the Virginia subsidiary's future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), that its return on equity will be 9.70% and its capital structure will consist of an equity component of 45.67% and a debt and other component of 54.33%. The stipulation of settlement remains subject to SCC review and approval.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized

incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2024:

	Effective Date	Amount
Infrastructure surcharges by state:		
Missouri	(b)	$ 47
Pennsylvania	(c)	21
New Jersey	April 30, 2024	9
Iowa	March 1, 2024	1
West Virginia (a)	March 1, 2024	7
Illinois	January 1, 2024	5
Total infrastructure surcharge authorizations		$ 90

(a) On March 5, 2024, the WVPSC directed the Company's West Virginia subsidiary to interpret the distribution system improvement charge ("DSIC") Order as having included within the DSIC the three-year amortization of a prior authorized deferral associated with a large treatment plant project. The inclusion of this deferral increased the net incremental revenue by $0.7 million to a total of $6.6 million effective March 1, 2024.
(b) In 2024, $21 million was effective July 11 and $26 million was effective January 20.
(c) In 2024, $14 million was effective July 1 and $7 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2025:

	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	February 7, 2025	$ 17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge filings		$ 23

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. On July 8, 2024, the California Supreme Court issued a unanimous opinion concluding that the CPUC did not regularly seek to exercise its authority when it prohibited water utilities from proposing to continue their water revenue adjustment mechanisms. Accordingly, the California Supreme Court vacated the portion of the CPUC's 2020 decision relating to this prohibition against continuation of such water revenue adjustment mechanisms.

Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its 2022 general rate case. On December 5, 2024, the CPUC denied the California subsidiary's proposed Water

Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. On December 30, 2024, the New Jersey Appellate Division of the New Jersey Superior Court affirmed the NJBPU decision rejecting the acquisition adjustments. There is no financial impact to the Company as a result of the NJBPU's order and resulting appeal decision, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2024, earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2024	2023
Removal costs recoverable through rates	$ 356	$ 322
Deferred pension expense	318	308
Customer lead line replacements	86	66
Unamortized debt expense	84	82
Regulatory balancing accounts	71	81
Programmed maintenance expense	57	58
Purchase premium recoverable through rates	50	52
Other	128	137
Total regulatory assets	$ 1,150	$ 1,106

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

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $304 million and $300 million as of December 31, 2024 and 2023, respectively. The remaining portion is the pension expense in excess of authorized amounts which is deferred by certain subsidiaries and probable of recovery in future service rates.

Customer lead line replacements are the costs incurred to replace customer owned lead service lines. Costs are recovered through a customer's surcharge or through base rates, depending on the jurisdiction.

Unamortized debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

Programmed maintenance expense are costs incurred to inspect or paint water tanks and are amortized on a straight line basis over a period determined by each state regulator.

Purchase premiums recoverable through rates are being recovered over periods up to 40 years.

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

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

The Company has current regulatory assets of $19 million and $13 million included in other current assets on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

Regulatory Liabilities

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

	2024	2023
Income taxes recovered through rates	$ 1,016	$ 1,064
Removal costs recovered through rates	245	254
Postretirement benefit liability	71	85
Other	84	78
Total regulatory liabilities	$ 1,416	$ 1,481

Income taxes recovered through rates relate to deferred taxes that will be refunded to the Company's customers. The enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA") required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT which will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

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

Postretirement benefit liability includes a portion of the over-funded status that is probable of refund through rates in future periods. The remaining portion represents prior service credits resulting from announced plan amendments which changed benefits for certain union and non-union plan participants.

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

The Company has no current regulatory liabilities and had $1 million of current regulatory liabilities included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2024:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 2,344	$ 5	$ 2,349
Commercial	881	4	885
Fire service	164	—	164
Industrial	182	2	184
Public and other	291	—	291
Total water services	3,862	11	3,873
Wastewater services:			
Residential	243	2	245
Commercial	70	—	70
Industrial	12	—	12
Public and other	36	—	36
Total wastewater services	361	2	363
Miscellaneous utility charges	42	—	42
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	4,265	31	4,296
Other	388	—	388
Total operating revenues	$ 4,653	$ 31	$ 4,684

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

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 2,143	$ —	$ 2,143
Commercial	798	—	798
Fire service	158	—	158
Industrial	167	—	167
Public and other	274	—	274
Total water services	3,540	—	3,540
Wastewater services:			
Residential	228	—	228
Commercial	62	—	62
Industrial	8	—	8
Public and other	29	—	29
Total wastewater services	327	—	327
Miscellaneous utility charges	35	—	35
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	3,902	18	3,920
Other	315	(1)	314
Total operating revenues	$ 4,217	$ 17	$ 4,234

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

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

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

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

Contract Balances

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

Contract assets of $84 million, $95 million and $86 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2024, 2023 and 2022, respectively. Also, contract assets of $39 million are included in other long-term assets on the Consolidated Balance Sheets as of December 31, 2024, and there were no contract assets in other long-term assets on the Consolidated Balance Sheets as of December 31, 2023 and 2022. There were $114 million of contract assets added during 2024, and $86 million of contract assets were transferred to accounts receivable during 2024. There were $87 million of contract assets added during 2023, and $78 million of contract assets were transferred to accounts receivable during 2023.

Contract liabilities of $40 million, $63 million and $91 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2024, 2023 and 2022, respectively. Also, contract liabilities of

$14 million are included in other long-term liabilities on the Consolidated Balance Sheets as of December 31, 2024, and there were no contract liabilities in other long-term liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022. There were $83 million of contract liabilities added during 2024, and $92 million of contract liabilities were recognized as revenue during 2024. There were $103 million of contract liabilities added during 2023, and $131 million of contract liabilities were recognized as revenue during 2023.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2024, the Company's O&M and capital improvement contracts have RPOs. Contracts with the U.S. government for work on military installations expire between 2051 and 2073 and have RPOs of $7.4 billion as of December 31, 2024, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $612 million as of December 31, 2024, as measured by estimated remaining contract revenue.

Note 5: Acquisitions and Divestitures

Regulated Businesses

During 2024, the Company closed on 13 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $417 million, of which $415 million was funded in 2024, and which acquisitions added approximately 69,500 water and wastewater customers. These totals include the acquisitions from the Butler Area Sewer Authority and Granite City noted below. Assets acquired from all 2024 acquisitions, principally utility plant, totaled $426 million and liabilities assumed totaled $10 million. Seven of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their respective acquisition date.

On October 29, 2024, the Company's Pennsylvania subsidiary acquired the wastewater collection and treatment system assets from the Butler Area Sewer Authority for a purchase price of $230 million, in cash. This system provides wastewater service for approximately 15,000 customer connections. Assets acquired from this acquisition, principally utility plant, totaled $229 million and $1 million of goodwill. This acquisition was accounted for as a business combination.

On March 11, 2024, the Company's Illinois subsidiary completed the acquisition of a wastewater treatment plant and related assets from Granite City for a cash purchase price of $86 million, which added approximately 26,000 wastewater customers, including 15,500 customers indirectly in surrounding communities. Assets acquired from this acquisition, principally utility plant, totaled $91 million and liabilities assumed totaled $5 million. This acquisition was accounted for as a business combination.

During 2023, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $77 million, $2 million of which was funded as a deposit in 2021, and which acquisitions added approximately 18,100 water and wastewater customers. Assets acquired from these acquisitions, principally utility plant, totaled $81 million and liabilities assumed totaled $4 million. Five of these acquisitions were accounted for as business combinations.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion. The consideration at closing was comprised of $480 million in cash, a secured seller note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023.

On February 2, 2024, this note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The Company recognized $77 million, $50 million, and $50 million of interest income during the years ended December 31, 2024, 2023 and 2022, respectively, from this note. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants were amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The repayment obligations of the Buyer under this note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

On December 3, 2024, a covenant in the secured seller note was amended to increase the maximum aggregate principal amount of revolving facility indebtedness (as defined and described thereunder) that could be incurred at any time by the Buyer and certain affiliates.

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

Note 6: Property, Plant and Equipment

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

	2024	2023	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 302	$ 293		
Sources of supply	1,124	1,081	20 to 127 years	46 years
Treatment and pumping	4,786	4,594	3 to 101 years	39 years
Transmission and distribution	14,745	13,900	9 to 128 years	66 years
Services, meters and fire hydrants	6,356	5,696	2 to 109 years	29 years
General structures and equipment	2,813	2,512	3 to 109 years	17 years
Waste collection	1,986	1,719	5 to 113 years	53 years
Waste treatment, pumping and disposal	1,425	1,191	2 to 153 years	34 years
Construction work in progress	1,359	1,040		
Other plant	22	24		
Total utility plant	34,918	32,050		
Nonutility property	141	139	3 to 50 years	12 years
Total property, plant and equipment	$35,059	$32,189		

Property, plant and equipment depreciation expense amounted to $690 million, $617 million and $552 million for the years ended December 31, 2024, 2023 and 2022, respectively, and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.73%, 2.68% and 2.60% for the years ended December 31, 2024, 2023 and 2022, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $347 million and $399 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

In connection with the Company's capital investment in its corporate headquarters in Camden, New Jersey, the New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits over a 10-year period commencing in 2019.

The Company is required to meet various annual requirements, including the maintenance of qualified full-time positions at the qualified business facility, in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

In December and January of 2024, the NJEDA issued to the Company the utilization certificates for the 2022 and 2021 tax credits in the amount of $15 million and $16 million, respectively. In March of 2023, the NJEDA issued to the Company the utilization certificate for the 2020 tax credits in the amount of $16 million. The Company sold the 2022, 2021, and 2020 tax credits to an external party for $14 million, $15 million and $15 million, respectively. For the years ended December 31, 2024, 2023 and 2022, the Company recorded losses of $2 million, $1 million and $1 million, respectively, to Other income (expense) in the Consolidated Statements of Operations from the sale of tax credits. As of December 31, 2024, the Company had no current assets and $90 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2023 through 2028 tax credits. As of December 31, 2023, the Company had current assets of $32 million included in Other and $90 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2021 through 2028 tax credits. In 2023, the Company reduced net realizable value of the future tax credit receivable by approximately $7 million as the Company does not expect it will be eligible to recognize the full amount of the

tax credit as it expects to have lower than required eligible headcount in the future. The Company has made the necessary annual filing for the year ended December 31, 2023, and expects to make the 2024 filing in April 2025, prior to the required filing deadline. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the 2023 tax credits in 2026.

Note 7: Allowance for Uncollectible Accounts

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

	2024	2023	2022
Balance as of January 1	$ (51)	$ (60)	$ (75)
Amounts charged to expense	(31)	(24)	(24)
Amounts written off	31	28	27
Other, net (a)	(2)	5	12
Balance as of December 31	$ (53)	$ (51)	$ (60)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity.

Note 8: Goodwill

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2024 and 2023:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2023	$3,470	$ (2,332)	$113	$ (108)	$3,583	$ (2,440)	$ 1,143
Goodwill from acquisitions	—	—	—	—	—	—	—
Balance as of December 31, 2023	$3,470	$ (2,332)	$113	$ (108)	$3,583	$ (2,440)	$ 1,143
Goodwill from acquisitions	1	—	—	—	1	—	1
Balance as of December 31, 2024	$3,471	$ (2,332)	$113	$ (108)	$3,584	$ (2,440)	$ 1,144

The Company completed its annual impairment testing of goodwill as of November 30, 2024, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2024.

In 2024, the Company acquired goodwill of $1 million associated with one of its acquisitions in the Regulated Businesses segment. In 2023, there were no additions or impairments to the Company's goodwill.

Note 9: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, and for general corporate purposes.

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2024, there were approximately 4.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2024 and 2023. As of December 31, 2024, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2024, 2023 and 2022:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Income (Loss)
Beginning balance as of January 1, 2022	$ (107)	$ 1	$ 67	$ (6)	$ —	$ (45)
Other comprehensive income before reclassification	14	—	—	5	—	19
Amounts reclassified from accumulated other comprehensive income	—	—	3	—	—	3
Net other comprehensive income	14	—	3	5	—	22
Ending balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ —	$ (23)
Other comprehensive (loss) income before reclassification	(3)	—	—	(8)	4	(7)
Amounts reclassified from accumulated other comprehensive income	—	—	4	—	—	4
Net other comprehensive (loss) income	(3)	—	4	(8)	4	(3)
Ending balance as of December 31, 2023	$ (96)	$ 1	$ 74	$ (9)	$ 4	$ (26)
Other comprehensive income (loss) before reclassification	1	—	—	39	(2)	38
Net other comprehensive income (loss)	1	—	—	39	(2)	38
Ending balance as of December 31, 2024	$ (95)	$ 1	$ 74	$ 30	$ 2	$ 12

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

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

An unrealized gain (loss) on available-for-sale fixed-income securities is reclassified to net income upon sale of the securities as a realized gain or loss and is included in Other, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

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

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

During 2024, 2023 and 2022, the Company paid $585 million, $532 million and $467 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2024	2023	2022
December	$0.7650	$0.7075	$0.6550
September	$0.7650	$0.7075	$0.6550
June	$0.7650	$0.7075	$0.6550
March	$0.7075	$0.6550	$0.6025

On December 6, 2024, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7650 per share payable on March 4, 2025, to shareholders of record as of February 7, 2025.

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

Regulatory Restrictions on Indebtedness

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

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017

Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2024, 5.8 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2024, 2023 and 2022 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2024, 2023 and 2022. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2024	2023	2022
RSUs and PSUs	$ 34	$ 23	$ 26
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	36	25	28
Income tax benefit	(8)	(6)	(6)
Stock-based compensation expense, net of tax	$ 28	$ 19	$ 22

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2024, 2023 and 2022.

Subject to limitations on deductibility imposed by the Internal Revenue Code of 1986, as amended, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2024, 2023 and 2022, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2024, 2023 and 2022, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant. Prior to 2024, distribution of the shares was made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Beginning in 2024, the shares are distributed within 30 days after the date of grant. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The grant date fair value of RSUs granted to certain employees and stock units granted to non-employee directors totaled $10 million, $9 million and $9 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2024:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2023	64	$ 134.61
Granted	81	123.07
Vested	(59)	148.13
Forfeited	(11)	140.79
Non-vested total as of December 31, 2024	75	$ 131.20

As of December 31, 2024, $5 million of total unrecognized compensation cost related to the non-vested RSUs is expected to be recognized over the weighted average remaining life of 1.67 years. The total fair value of stock units and RSUs vested was $9 million, $6 million and $6 million for the years ended December 31, 2024, 2023 and 2022, respectively.

During 2024, 2023 and 2022, the Company granted PSUs to certain employees under the 2017 Omnibus Plan with grant date fair values totaling $23 million, $28 million and $20 million, respectively. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2024:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2023	245	$ 143.26
Granted	177	127.18
Vested	(60)	157.83
Forfeited	(40)	181.71
Non-vested total as of December 31, 2024	322	$ 130.04

As of December 31, 2024, $7 million of total unrecognized compensation cost related to the non-vested PSUs is expected to be recognized over the weighted average remaining life of 0.83 years. The total fair value of PSUs vested was $23 million, $31 million and $24 million for the years ended December 31, 2024, 2023 and 2022, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company's common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued, for accounting purposes, using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily

stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2024	2023	2022
Expected volatility	22.98%	25.45%	29.69%
Risk-free interest rate	4.39%	4.31%	1.90%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$118.95	$168.00	$99.23

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

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2024, there were 1.4 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2024, 2023 and 2022, the Company issued approximately 90,000, 87,000 and 82,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

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

	Rate	Weighted Average Rate	Maturity	2024	2023
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	4.02%	2025-2054	$ 11,786	$ 10,786
Private activity bonds and government funded debt—fixed rate	0.00%-3.88%	3.07%	2028-2045	187	188
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	2.04%	2025-2061	761	729
Mortgage bonds—fixed rate	6.35%-9.19%	7.41%	2025-2039	456	516
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2036	3	3
Long-term debt		4.01%		13,193	12,222
Unamortized debt discount, net (b)				(20)	(11)
Unamortized debt issuance costs				(15)	(18)
Less current portion of long-term debt				(637)	(475)
Total long-term debt				$ 12,521	$ 11,718

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

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

All mortgage bonds and $752 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2024.

Long-term debt agreements contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note covenants require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined in the relevant documents) of not more than 0.70 to 1.00. The ratio as of December 31, 2024, was 0.58 to 1.00. In addition, the Company has $824 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 2.51%.

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

	Amount
2025	$ 637
2026	1,478
2027	686
2028	868
2029	936
Thereafter	8,588

Presented in the table below are the issuances of long-term debt in 2024:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	5.15%-5.45%	5.30%	2034-2054	$ 1,400
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	0.01%	2025-2061	46
Total issuances					$ 1,446

The Company incurred debt issuance costs of $14 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2024 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	3.85%	3.85%	2024	$ 400
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.53%	2024-2061	14
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.99%-7.17%	7.13%	2024	60
Total retirements and redemptions					$ 475

On February 23, 2024, AWCC completed a $1.4 billion debt offering, which included the sale of $700 million aggregate principal amount of its 5.150% Senior Notes due 2034 and $700 million aggregate principal amount of its 5.450% Senior Notes due 2054. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $1,381 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC's 3.850% Senior Notes due 2024; (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes.

On June 29, 2023, AWCC issued $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased.

The Notes are exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the "Note Indenture"). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes are exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (i) pay cash up to the aggregate principal amount of the Notes and (ii) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC's exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

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

During the second half of 2024, the Company entered into eight treasury lock agreements, with a term of 10 years or 30 years, with notional amounts totaling $355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed interest rate of 4.03%. In 2025, the Company entered into five additional treasury lock agreements, with a term of 10 years, with notional amounts totaling $275 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in March 2025 and have an average fixed interest rate of 4.60%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss.

The Company had entered into 15 treasury lock agreements through February 2024, with notional amounts totaling $825 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In February 2024, the Company terminated the treasury lock agreements realizing a pre-tax net gain of $14 million, to be amortized through Interest expense over a 10-year period or 30-year period, in accordance with the tenor of the notes issued on February 23, 2024.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2024, 2023 or 2022.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, issuances of commercial paper and equity, and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. AWCC maintains an unsecured revolving credit facility which provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. On October 28, 2024, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2028 to October 2029. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit for the issuance of up to $150 million in letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody's Ratings and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

Short-term debt consists of commercial paper borrowings totaling $880 million and $180 million as of December 31, 2024 and 2023, respectively, or net of discount $879 million and $179 million as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, AWCC had no outstanding borrowings under the revolving credit facility and there were no commercial paper borrowings outstanding with maturities greater than three months.

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

	2024		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$2,750
Outstanding debt	(880)	(82)	(962)
Remaining availability as of December 31, 2024	$ 1,720	$ 68	$1,788

(a) Total remaining availability of $1.8 billion as of December 31, 2024, was accessible through revolver draws.

	2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$2,495

(a) Total remaining availability of $2.5 billion as of December 31, 2023, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2024 and 2023, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2024	$ 96	$ 1,788	$ 1,884
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2024	2023
Average borrowings	$ 161	$ 288
Maximum borrowings outstanding	$ 880	$ 1,570
Weighted average interest rates, as of December 31	4.65%	5.51%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2024, was 0.58 to 1.00.

The Company does not have any material borrowings that are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2024	2023	2022
Property and capital stock	$ 125	$ 119	$ 108
Gross receipts and franchise	140	134	124
Payroll	41	38	36
Other general	14	16	13
Total general taxes	$ 320	$ 307	$ 281

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2024	2023	2022
Current income taxes:			
State	$ 16	$ 16	$ 26
Federal	136	28	82
Total current income taxes	$ 152	$ 44	$ 108
Deferred income taxes:			
State	$ 53	$ 44	$ 24
Federal	104	165	57
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	156	208	80
Provision for income taxes	$ 308	$ 252	$ 188

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2024	2023	2022
Income tax at statutory rate	21.0%	21.0%	21.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.0%	4.0%	4.1%
EADIT	(2.7)%	(4.2)%	(6.5)%
Other, net	0.4%	0.3%	0.1%
Effective tax rate	22.7%	21.1%	18.7%

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2024	2023
Deferred tax assets:		
Advances and contributions	$ 493	$ 478
Tax losses and credits	128	17
Regulatory income tax assets	181	191
Pension and other postretirement benefits	64	75
Other	163	172
Total deferred tax assets	1,029	933
Valuation allowance	(8)	(11)
Total deferred tax assets, net of allowance	$ 1,021	$ 922
Deferred tax liabilities:		
Property, plant and equipment	$ 3,553	$ 3,269
Deferred pension and other postretirement benefits	86	84
Other	244	268
Total deferred tax liabilities	3,883	3,621
Total deferred tax liabilities, net of deferred tax assets	$ (2,862)	$ (2,699)

As of December 31, 2024 and 2023, the Company had state net operating loss ("NOL") carryforwards of $251 million and $238 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2025 through 2044.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a 15% Corporate Alternative Minimum Tax ("CAMT") provision on applicable corporations effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1.0 billion. An applicable corporation must make several adjustments to net income when determining AFSI. A corporation paying CAMT is eligible for a future tax credit, which can be carried forward indefinitely and utilized when regular tax exceeds CAMT. Based on current guidance, the Company is an applicable corporation subject to CAMT beginning in 2024. As of December 31, 2024, the Company has a CAMT credit carryforward of $111 million.

On September 12, 2024, the Internal Revenue Service ("IRS") and the U.S. Treasury issued Notice 2024-66, allowing corporate taxpayers to exclude amounts attributable to the CAMT liability, without penalty, from estimated tax payments with respect to a taxable year that begins during 2024. The Company will include the

CAMT liability in its 2024 extension payment due April 15, 2025. The Company will continue to assess the impacts of the IRA as the U.S. Treasury and the IRS provide further guidance.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for taxable years ended December 31, 2019 and prior.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2022	$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	$ 158
Increases in current period tax positions	27
Decreases in prior period measurement of tax positions	(37)
Balance as of December 31, 2023	$ 148
Increases in current period tax positions	34
Increases in prior period measurement of tax positions	21
Balance as of December 31, 2024	$ 203

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company expects a reduction of approximately $81 million in its unrecognized tax benefits within the next year due to the expiration of statutes of limitation, offset by current year activity.

If the Company sustains all of its positions as of December 31, 2024, an unrecognized tax benefit of $8 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2024 and 2023.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2022	$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	$ 11
Increases in current period tax positions	—
Balance as of December 31, 2023	$ 11
Decreases in current period tax positions	(3)
Balance as of December 31, 2024	$ 8

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001,

except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. None of the Company's securities are included in pension plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2024, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan and the American Water Pension Plan for Certain Inactive Participants.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2024 and 2023, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2024
Cash	$ 40	$ 40	$ —	$ —	$ —	3%
Equity securities:						
U.S. large cap	155	29	—	—	126	11%
U.S. small cap	34	34	—	—	—	2%
International	258	—	—	—	258	19%
Real estate fund	120	—	—	—	120	9%
REITs	6	—	—	—	6	—%
Fixed income securities:						
U.S. Treasury securities and government bonds	232	169	1	—	62	17%
Corporate bonds	489	—	489	—	—	35%
Mortgage-backed securities	6	—	6	—	—	—%
Municipal bonds	20	—	20	—	—	2%
Guarantee annuity contracts	32	—	—	32	—	2%
Total	$ 1,392	$ 272	$ 516	$ 32	$ 572	100%

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Cash	$ 56	$ 56	$ —	$ —	$ —	4%
Equity securities:						
U.S. large cap	134	23	—	—	111	9%
U.S. small cap	37	37	—	—	—	3%
International	235	—	—	—	235	16%
Real estate fund	132	—	—	—	132	9%
REITs	6	—	—	—	6	—%
Fixed income securities:						
U.S. Treasury securities and government bonds	234	171	2	—	61	16%
Corporate bonds	531	—	531	—	—	38%
Mortgage-backed securities	8	—	8	—	—	1%
Municipal bonds	23	—	23	—	—	2%
Long duration bond fund	3	—	—	—	3	—%
Guarantee annuity contracts	32	—	—	32	—	2%
Total	$ 1,431	$ 287	$ 564	$ 32	$ 548	100%

(a) There were no material changes during the period for the fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and 2023, respectively.

The Company's 2025 target pension plan asset allocation is 37% equity securities and 63% fixed income securities. The Company's 2024 target pension plan asset allocation was 37% equity securities and 63% fixed income securities.

Other Postretirement Benefit Plan Assets

The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in other postretirement benefit plan assets. The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns. The American Water Retiree Welfare Plan ("Retiree Welfare Plan") is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, the Voluntary Employees' Beneficiary Association ("Active VEBA") trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2024 and 2023, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2024
Bargained VEBA:						
Cash	$ 4	$ 4	$ —	$ —	$ —	4%
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7%
Corporate bonds	83	—	83	—	—	86%
Municipal bonds	3	—	3	—	—	3%
Total bargained VEBA	$ 97	$ 11	$ 86	$ —	$ —	100%
Active VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	7%
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	7%
Corporate bonds	23	—	23	—	—	82%
Municipal bonds	1	—	1	—	—	4%
Total Active VEBA	$ 28	$ 4	$ 24	$ —	$ —	100%
Non-bargained VEBA:						
Cash	$ 3	$ 3	$ —	$ —	$ —	2%
Equity securities:						
U.S. large cap	46	46	—	—	—	36%
International	30	30	—	—	—	23%
Fixed income securities:						
U.S. Treasury securities and government bonds	1	1	—	—	—	1%
Municipal bonds	48	—	48	—	—	38%
Total non-bargained VEBA	$ 128	$ 80	$ 48	$ —	$ —	100%
Total	$ 253	$ 95	$ 158	$ —	$ —	100%

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Bargained VEBA:						
Cash	$ 4	$ 4	$ —	$ —	$ —	4%
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7%
Corporate bonds	86	—	86	—	—	85%
Municipal bonds	4	—	4	—	—	4%
Total bargained VEBA	$ 101	$ 11	$ 90	$ —	$ —	100%
Active VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	6%
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	6%
Corporate bonds	26	—	26	—	—	82%
Municipal bonds	2	—	2	—	—	6%
Total Active VEBA	$ 32	$ 4	$ 28	$ —	$ —	100%
Non-bargained VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	2%
Equity securities:						
U.S. large cap	44	44	—	—	—	35%
International	30	30	—	—	—	24%
Fixed income securities:						
Municipal bonds	49	—	49	—	—	39%
Total non-bargained VEBA	$ 125	$ 76	$ 49	$ —	$ —	100%
Total	$ 258	$ 91	$ 167	$ —	$ —	100%

The Company's 2025 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA is 100% fixed income securities and for the Non-bargained VEBA is 60% equity securities and 40% fixed income securities. The Company's 2024 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA was 100% fixed income securities and for the Non-bargained VEBA was 60% equity securities and 40% fixed income securities.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities —For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as certain U.S. large cap and international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds and/or limited partnerships, they are not included in the

fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed monthly or more frequently, with 30 or less days of notice and without further restrictions.

Fixed-income securities—Certain U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. These securities are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded futures and options, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1. Other U.S. Treasury securities are invested in commingled funds that may implement their investment strategies in a variety of ways which may include direct and/or indirect investment in securities and other instruments or assets (e.g., futures and swaps) or investment in units of other commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Real estate fund—Real estate funds are an investment vehicle in the form of a limited partnership primarily focused in real estate investments and are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed quarterly, with 90 or less days of notice, subject to available cash.

REITs—REITs are invested in commingled funds primarily focused in publicly traded shares of real estate investment trusts. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. REITs are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,622	$ 1,578	$ 247	$ 255
Service cost	17	17	2	2
Interest cost	83	85	12	14
Plan participants' contributions	—	—	3	3
Actuarial loss (gain)	(55)	67	(18)	(4)
Settlements	(2)	(3)	—	—
Gross benefits paid	(105)	(118)	(22)	(24)
Federal subsidy	—	—	1	1
Other adjustments	—	(4)	—	—
Benefit obligation as of December 31,	$ 1,560	$ 1,622	$ 225	$ 247
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,431	$ 1,413	$ 258	$ 254
Actual return on plan assets	19	93	11	22
Employer contributions	49	46	3	3
Plan participants' contributions	—	—	3	3
Settlements	(2)	(3)	—	—
Benefits paid	(105)	(118)	(22)	(24)
Fair value of plan assets as of December 31,	$ 1,392	$ 1,431	$ 253	$ 258
Funded value as of December 31,	$ (168)	$ (191)	$ 28	$ 11
Amounts recognized on the balance sheet:				
Noncurrent asset	$ 51	$ 73	$ 29	$ 12
Current liability	(2)	(2)	—	—
Noncurrent liability	(217)	(262)	(1)	(1)
Net amount recognized	$ (168)	$ (191)	$ 28	$ 11

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Net actuarial loss	$ 337	$ 340	$ 13	$ 30
Prior service credit	(5)	(8)	(84)	(115)
Net amount recognized	$ 332	$ 332	$ (71)	$ (85)
Regulatory assets (liabilities)	$ 304	$ 300	$ (71)	$ (85)
Accumulated other comprehensive income	28	32	—	—
Total	$ 332	$ 332	$ (71)	$ (85)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2024	2023
Projected benefit obligation	$ 916	$ 952
Fair value of plan assets	697	688

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2024	2023
Accumulated benefit obligation	$ 852	$ 875
Fair value of plan assets	697	688

The accumulated postretirement plan assets exceed benefit obligations for the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2025 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2025 expected employer contributions:		
To plan trusts	$ 44	$ —
To plan participants	2	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2025	$ 121	$ 22	$ 1
2026	122	22	1
2027	124	22	1
2028	124	21	1
2029	125	20	1
2030-2034	612	90	2

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2024	2023	2022	2024	2023	2022
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.70%	5.18%	5.58%	5.69%	5.22%	5.60%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.50% in 2025 to 5.00% in 2031+	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	5.18%	5.58%	2.94%	5.22%	5.60%	2.90%
Expected return on plan assets	6.73%	6.79%	6.50%	5.00%	5.00%	3.60%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+

NOTE: "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used a weighted average expected return on plan assets of 6.73% to estimate its 2024 pension benefit costs, and an expected blended return based on weighted assets of 5.00% to estimate its 2024 other postretirement benefit costs.

For the years ended December 31, 2024, 2023 and 2022, the Company's mortality assumption utilized the Pri-2012 base mortality table with the MP-2021 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2024	2023	2022
Components of net periodic pension benefit cost (credit):			
Service cost	$ 17	$ 17	$ 30
Interest cost	83	85	64
Expected return on plan assets	(94)	(94)	(122)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	22	13	21
Settlements	1	1	—
Net periodic pension benefit cost (credit)	$ 26	$ 19	$ (10)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	$ (1)	$ 3	$ (14)
Amortization of actuarial loss	—	(4)	(3)
Total recognized in other comprehensive income	(1)	(1)	(17)
Total recognized in net periodic benefit cost (credit) and other comprehensive income	$ 25	$ 18	$ (27)
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 2	$ 2	$ 3
Interest cost	12	14	10
Expected return on plan assets	(12)	(12)	(19)
Amortization of prior service credit	(31)	(31)	(31)
Amortization of actuarial loss	—	2	—
Net periodic other postretirement benefit (credit) cost	$(29)	$(25)	$ (37)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $15 million, $14 million and $13 million for 2024, 2023 and 2022, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $18 million, $17 million and $16 million for 2024, 2023 and 2022, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $1.1 billion as of December 31, 2024.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2025	$ 81
2026	70
2027	63
2028	64
2029	64
Thereafter	859

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2024, the Company has accrued approximately $16 million of probable loss contingencies and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies arising out of such legal actions, which can be reasonably estimated, is $9 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such legal actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed, and service was restored that day to approximately 80% of the impacted

customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

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

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. Trial in this matter had been scheduled for January 2025.

On January 17, 2025, before trial commenced, the parties notified the Circuit Court that an agreement in principle to settle this litigation was reached among the parties. Under the terms of the agreement in principle and any subsequent proposed settlement agreement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The proposed maximum pre-tax amount of the settlement is approximately $18 million, of which the Company currently estimates that approximately $5 million would be contributed by the Company and WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through this settlement will depend upon the claims submitted and approved through a claims process to be negotiated by the parties and approved by the Circuit Court. The parties will next negotiate and enter into a proposed settlement agreement based on the terms of the agreement in principle, and the proposed settlement agreement will be subject to preliminary and final approvals by the Circuit Court.

The final amount of the Company's and WVAWC's contributions to the settlement remains subject to uncertainty; however, the Company does not currently anticipate that Company's maximum liability for the settlement will materially exceed $5 million. As a result, the Company has recorded a charge to earnings, net of insurance receivables, of $5.0 million ($3.9 million after-tax) in the fourth quarter of 2024. The Company intends to fund its and WVAWC's contributions to the settlement through existing sources of liquidity, although no contribution by the Company or WVAWC will be required unless and until a proposed settlement agreement has been entered into and finally approved by the Circuit Court.

Chattanooga, Tennessee Class Action Litigation

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

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost

water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest.

In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. In January 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. In February 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. In September 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. In October 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On June 14, 2024, the court issued its written order denying the Tennessee Plaintiffs' amended class and incorporating its denial of certification of the original residential class. On June 21, 2024, the Tennessee Plaintiffs appealed both of the court's orders denying class certification. This appeal remains pending.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint. TAWC will continue to vigorously defend itself against these allegations. Given the current stage of this proceeding, the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,500 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits, with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the class action lawsuits before a single judge in Kanawha County Circuit Court. On June 14, 2024, the judge in the *Ruffin* case partially granted the motion by transferring all of the four class action lawsuits to her court but deferring as premature consolidation of the cases.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. On March 6, 2024, the motion to transfer this complaint to the West Virginia Business Court was granted and trial and resolution judges were assigned. Mountaineer Gas voluntarily dismissed its implied indemnity count against WVAWC, rendering moot WVAWC's partial motion to dismiss, and on May 31, 2024, WVAWC answered the complaint. The Business Court has set a trial date of October 7, 2025, for this matter.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three class action lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. Mountaineer Gas subsequently voluntarily dismissed its cross-claims. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. On February 19, 2024, Mountaineer Gas filed a motion opposing the referral of the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On

May 31, 2024, the West Virginia Supreme Court denied the motion seeking referral. The Kanawha County Circuit Court has set a trial date of February 2, 2026, for the class action complaints.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 in damages per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. In light of the diminishing number of new claims that had been filed, the claims process was concluded on March 8, 2024. As of December 31, 2024, a total of 594 Mountaineer Gas customers completed this claims process, and each of those customers has been paid by WVAWC an average of approximately $1,500. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the WVPSC issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation.

On April 24, 2024, the staff issued a final joint memorandum in the Mountaineer Gas general investigation stating its view that Mountaineer Gas responded appropriately, reasonably and according to Mountaineer Gas's written procedures. The staff is making no recommendations for improvements to Mountaineer Gas and is recommending that the Mountaineer Gas general investigation be closed. On July 24, 2024, the staff issued a final joint memorandum in the WVAWC general investigation finding no indication of systematic failure by WVAWC and concluding WVAWC's maintenance and operating procedures were adequate to ensure safe and reliable service, subject to the implementation by WVAWC of three recommended operational improvements. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has valid, meritorious defenses to such claims. WVAWC continues to defend itself vigorously in these litigation proceedings.

Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above, and the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the

construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"), as well as an expanded aquifer storage and recovery program. The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

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

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $281 million in aggregate costs as of December 31, 2024, related to the Water Supply Project, which includes $88 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings were held in March 2024. This matter remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. In November 2020, Cal Am refiled the Original Jurisdiction Application.

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

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of slant wells for the Water Supply Project. Cal Am is named as a real party in interest. On April 24, 2024, the court granted defendants' motion for judgment on the pleadings and dismissed one of MCWD's causes of action in the petition. A trial commenced on December 9, 2024, and further proceedings continued in January 2025. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2024, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2025 and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

Cal Am's Action for Damages Following Termination of Regional Desalination Project ("RDP")

In 2010, the CPUC had approved the RDP, which was a precursor to the current Water Supply Project and called for the construction of a desalination facility in the City of Marina. The RDP was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among MCWD, Cal Am and the Monterey County Water Resources Agency ("MCWRA"). In 2011, due to a conflict of interest concerning a former member of MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In ensuing litigation filed by Cal Am in 2012 to resolve the termination of the RDP, the court in 2015 entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line agreement, is not void. As a result of this litigation, Cal Am was permitted to institute further proceedings, discussed below, to determine the amount of damages that may be awarded to Cal Am as a result of the failure of the RDP.

In 2015, Cal Am and MCWRA filed a complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm ("RMC"), seeking to recover compensatory, consequential and incidental damages associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. In 2019, MCWD was granted a motion for summary judgment related to the tort claims in the complaint. A settlement as to the non-tort claims was finalized and entered into in March 2020. As part of this settlement, Cal Am's and MCWRA's right to appeal the dismissal of their tort claims against MCWD were expressly reserved, and, in July 2020, Cal Am filed its appeal. In December 2022, the trial court's decision was reversed on appeal with instructions to vacate its prior orders granting MCWD's motions for summary judgment and to enter new orders denying the motions. In February 2023, MCWD filed a petition for review of the appellate decision with the California Supreme Court, which was denied in March 2023. On June 27, 2024, MCWD filed a motion for judgment on the pleadings. Following a hearing, on December 5, 2024, the court granted MCWD's motion without leave to amend, dismissing all of Cal Am's remaining tort claims. Final judgment was entered on January 7, 2025. Cal Am intends to file a notice of appeal of the trial court's decision.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

The water system assets of Cal Am located in Monterey, California (the "Monterey system assets") are the subject of a condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey system assets) and, if requested, to re-hear the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, Cal Am and LAFCO each filed a notice of appeal with the California Court of Appeal regarding the Monterey County Superior Court's decision to issue the writ of mandate. The MPWMD filed a notice of cross-appeal on February 15, 2024. Cal Am is evaluating potential additional actions to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

MPWMD Condemnation Action

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requested access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. On December 15, 2023, the MPWMD filed a lawsuit against Cal Am in Monterey County Superior Court seeking to condemn the Monterey system assets. On February 26, 2024, Cal Am filed a motion requesting the Monterey County Superior Court dismiss the MPWMD's lawsuit seeking to condemn Cal Am's Monterey system assets. Cal Am's motion asserted that the MPWMD lacks legal authorization from both the California legislature and LAFCO to become a retail water provider and the lawsuit improperly seeks to effect a taking of property outside the boundaries of the MPWMD's territory. Hearings on the motion were held on May 3, 2024, and August 23, 2024. On November 14, 2024, the court issued a final ruling denying Cal Am's motion to dismiss. Cal Am filed its answer to the complaint on December 13, 2024. This matter remains pending.

While the Company cannot currently predict the outcome of the MPWMD's eminent domain lawsuit, the Company believes that, given existing legal authorities and its other defenses, Cal Am should be able to defend itself successfully against this lawsuit.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2024	2023	2022
Numerator:			
Net income attributable to common shareholders	$ 1,051	$ 944	$ 820
Denominator:			
Weighted average common shares outstanding—Basic	195	193	182
Effect of dilutive common stock equivalents	—	—	—
Weighted average common shares outstanding—Diluted	195	193	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based

awards were excluded from the computation of diluted EPS for the years ended December 31, 2024, 2023 and 2022, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For all periods presented, there was no dilution resulting from the Notes. See Note 11—Long-Term Debt for additional information relating to the Notes.

Note 18: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Secured seller promissory note from the sale of the Homeowner Services Group—The carrying amount reported on the Consolidated Balance Sheets for the secured seller promissory note, included as part of the consideration from the sale of HOS is $795 million and $720 million as of December 31, 2024 and 2023, respectively. This amount represents the principal amount owed under the secured promissory seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the secured seller promissory note approximated $793 million and $704 million as of December 31, 2024 and 2023, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The secured seller promissory note is classified as Level 3 within the fair value hierarchy. On February 2, 2024, the secured seller promissory note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of a $75 million contingent cash payment, see Note 5—Acquisitions and Divestitures for additional information. As of December 31, 2023, the contingent cash payment was accounted for as a receivable, as the conditions had been satisfied, and its carrying amount, which approximated fair value, was included as a long-term asset in Other on the Consolidated Balance Sheets.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2024				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	13,155	10,165	1,050	658	11,873

	As of December 31, 2023				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	12,190	9,575	1,044	757	11,376

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Restricted funds	$ 44	$ —	$ —	$ 44
Rabbi trust investments	29	—	—	29
Deposits	6	—	—	6
Other investments:				
Money market and other	21	—	—	21
Fixed-income securities	88	6	—	94
Mark-to-market derivative asset	—	24	—	24
Total assets	188	30	—	218
Liabilities:				
Deferred compensation obligations	34	—	—	34
Total liabilities	34	—	—	34
Total assets	$ 154	$ 30	$ —	$ 184

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Restricted funds	$ 34	$ —	$ —	$ 34
Rabbi trust investments	22	—	—	22
Deposits	8	—	—	8
Other investments:				
Money market and other	26	—	—	26
Fixed-income securities	140	6	—	146
Total assets	230	6	—	236
Liabilities:				
Deferred compensation obligations	27	—	—	27
Mark-to-market derivative liability	—	8	—	8
Total liabilities	27	8	—	35
Total assets (liabilities)	$ 203	$ (2)	$ —	$ 201

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—The Company maintains the Active VEBA trust for purposes of paying active union employee medical benefits. The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed-income securities.

The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on quoted prices for identical assets in active markets and therefore included in the recurring fair value measurements hierarchy as Level 1.

The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as

Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $71 million and $62 million in other current assets, as of December 31, 2024 and 2023, respectively, and $44 million and $111 million in other long-term assets, as of December 31, 2024 and 2023, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities:

	As of December 31, 2024			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 94	$ 2	$ 2	$ 94

	As of December 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 143	$ 6	$ 3	$ 146

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2024, is as follows:

	Amount
Other investments—Available-for-sale fixed-income securities	
Less than one year	$ 57
1 year—5 years	25
5 years—10 years	5
Greater than 10 years	7
Total	$ 94

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 40 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $143 million and $144 million as of December 31,

2024 and 2023, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2025 through 2029, and $37 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $12 million, $11 million and $12 million for the years ended December 31, 2024, 2023 and 2022, respectively.

For the year ended December 31, 2024, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was $11 million. For the year ended December 31, 2024, ROU assets obtained in exchange for new operating lease liabilities was $11 million.

As of December 31, 2024, the weighted-average remaining lease term of the operating leases was 18 years, and the weighted-average discount rate of the operating leases was 5%.

The future maturities of lease liabilities at December 31, 2024, were $11 million in 2025, $10 million in 2026, $10 million in 2027, $8 million in 2028, $7 million in 2029 and $86 million thereafter. At December 31, 2024, imputed interest was $47 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to subsidiaries within Other, leased office space, and furniture and equipment provided by subsidiaries within Other to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The Company's chief operating decision maker is the Chief Executive Officer. The chief operating decision maker uses segment net income or loss to evaluate profit generated from segment assets when making decisions

about allocating resources. The chief operating decision maker also uses segment net income to monitor budget versus actual results to assess the performance of the segment.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2024		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 4,296	$ 388	$ 4,684
Less:			
Operation and maintenance (a)	1,517	341	1,858
Other segment items (b)	241	9	250
Depreciation and amortization	772	16	788
Interest expense	416	107	523
Interest income	(17)	(77)	(94)
Provision for income taxes	302	6	308
Net income (loss) attributable to common shareholders	$ 1,065	$ (14)	$ 1,051
Total assets	$ 29,941	$ 2,889	$ 32,830
Capital expenditures	$ 2,838	$ 18	$ 2,856

(a) Significant segment expense.
(b) Other segment items included in segment net income includes General taxes, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

	2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,920	$ 314	$ 4,234
Less:			
Operation and maintenance (a)	1,441	279	1,720
Other segment items (b)	220	7	227
Depreciation and amortization	693	11	704
Interest expense	364	96	460
Interest income	(28)	(45)	(73)
Provision for (benefit from) income taxes	259	(7)	252
Net income (loss) attributable to common shareholders	$ 971	$ (27)	$ 944
Total assets	$ 27,480	$ 2,818	$ 30,298
Capital expenditures	$ 2,551	$ 24	$ 2,575

(a) Significant segment expense.
(b) Other segment items included in segment net income includes General taxes, Other operating expenses, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,505	$ 287	$ 3,792
Less:			
Operation and maintenance (a)	1,345	244	1,589
Other segment items (b)	173	11	184
Depreciation and amortization	633	16	649
Interest expense	314	119	433
Interest income	(2)	(50)	(52)
Gain on sale of businesses	—	(19)	(19)
Provision for income taxes	188	—	188
Net income (loss) attributable to common shareholders	$ 854	$ (34)	$ 820
Total assets	$ 25,038	$ 2,749	$ 27,787
Capital expenditures	$ 2,284	$ 13	$ 2,297

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2024 and 2023, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2024			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$1,011	$1,149	$1,323	$1,201
Operating income	326	449	543	400
Net income attributable to common shareholders	185	277	350	239
Basic earnings per share:				
Net income attributable to common shareholders	$ 0.95	$ 1.42	$ 1.80	$ 1.22
Diluted earnings per share:				
Net income attributable to common shareholders	0.95	1.42	1.80	1.22

	2023			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 938	$1,097	$1,167	$1,032
Operating income	295	432	478	299
Net income attributable to common shareholders	170	280	323	171
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.91	$ 1.44	$ 1.66	$ 0.88
Diluted earnings per share: (a)				
Net income attributable to common shareholders	0.91	1.44	1.66	0.88

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2024, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

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

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2024, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2024.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2024, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Chief Executive Officer Succession

On February 19, 2025, reflecting the Company's existing and ongoing executive development and succession planning activities by management and the Board of Directors, Ms. Hardwick, the Company's Chief Executive Officer and a director, notified Karl F. Kurz, Board Chair, of her decision to retire as the Company's Chief Executive Officer and principal executive officer, effective as of the conclusion of the Company's 2025 Annual Meeting of Shareholders (the "2025 Annual Meeting"). In her notice, Ms. Hardwick also indicated her decision not to stand for re-election to the Board of Directors at the 2025 Annual Meeting. On February 19, 2025, the Board of Directors accepted Ms. Hardwick's notice and, upon the recommendation of the Nominating Committee, determined that she would not stand for re-election to the Board of Directors at the 2025 Annual Meeting. Ms. Hardwick's decision not to stand for re-election to the Board of Directors was not as a result of any disagreement with the Company or the Board of Directors on any matter relating to the Company's operations, policies or practices.

On February 19, 2025, to provide for the orderly succession of Ms. Hardwick's roles, the Board of Directors designated Mr. Griffith, the Company's President, to serve as the Company's President and Chief Executive Officer and as principal executive officer, effective as of the conclusion of the 2025 Annual Meeting, to hold office until the Company's 2026 Annual Meeting of Shareholders (the "2026 Annual Meeting") and until his successor has been elected and qualified, or until his earlier death, resignation or removal. Upon the recommendation of the Nominating Committee, the Board of Directors also nominated Mr. Griffith for election to the Board of Directors at the 2025 Annual Meeting, and he will be included among the director nominees of the Board of Directors to be named in the Company's 2025 Proxy Statement. If elected to the Board of Directors by the shareholders of the Company, Mr. Griffith would serve until the Company's 2026 Annual Meeting and until his successor has been elected and qualified, or until his earlier death, resignation or removal, and would not serve on any committee of the Board of Directors. See Item 1—Business—Information About Our Executive Officers, for more information about Mr. Griffith's business experience.

Other than existing compensatory arrangements between Mr. Griffith and the Company as described in the Company's 2024 Proxy Statement, in connection with his succession: (i) there are no arrangements or understandings between Mr. Griffith and any other person pursuant to which Mr. Griffith was designated or nominated to serve in his new roles, (ii) no material plan, contract or arrangement has been entered into with Mr. Griffith, and no such plan, contract or arrangement with Mr. Griffith has been materially amended, and (iii) no grant of any award to Mr. Griffith or modification of an existing award has been made. Mr. Griffith does not have any family relationship with any director or other executive officer of the Company, or any person nominated or chosen by the Company to become a director or executive officer, and does not have any direct or indirect material interest in any transaction in which the Company is or is to be a participant and which would require reporting under Item 404(a) of Regulation S-K.

In connection with Ms. Hardwick's retirement, the ED&CC recommended, based on the advice of its independent compensation consultant, and the independent members of the Board of Directors approved, in

addition to Ms. Hardwick's customary executive compensation for 2025 (which was consistent with her executive compensation for 2024), a discretionary cash payment to Ms. Hardwick of $800,000, less all applicable withholdings and deductions, in recognition of her outstanding service and performance in the role as Chief Executive Officer.

Board of Directors Committee Changes

As part of its annual 2025 committee review process and to appropriately distribute director responsibilities, on February 19, 2025, the Board of Directors, upon the recommendation of the Nominating Committee, appointed director Stuart M. McGuigan to serve on the ED&CC and the SETO Committee, and determined that director Patricia L. Kampling will no longer serve on the SETO Committee, each of which actions took effect immediately.

Adoption or Termination of Rule 10b5-1 Plans and Non-Rule 10b5-1 Trading Arrangements

During the three months ended December 31, 2024, none of the Company's directors or "officers" (as such term is defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of the Company's securities, intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Exchange Act or (ii) any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Information About Our Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

The Company maintains an Insider Trading and Prohibited Transactions Policy and a Personal Securities Trading and Preclearance Practice thereunder, which govern the purchase, sale and other disposition of the Company's securities by the Company's directors, officers and employees, and their immediate family members, among other covered persons (which does not include the Company). The Company believes the policy and practice are reasonably designed to promote and enforce compliance by such covered persons with applicable insider trading laws, rules and regulations, and the listing standards of the NYSE related thereto. A copy of each has been filed as Exhibit 19.1 and Exhibit 19.2, respectively, to this Annual Report on Form 10-K, and the full text of the Insider Trading and Prohibited Transactions Policy is publicly available on the Company's website at *https://amwater.com*.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the captions entitled "Board of Directors and Corporate Governance—Board Role in Risk Oversight—Executive Development and Compensation Committee Role," "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Indenture, dated as of June 29, 2023, among American Water Capital Corp., American Water Works Company, Inc. and U.S. Bank Trust Company, National Association. (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.4	Form of 3.625% Exchangeable Senior Note due 2026 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.5	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.6	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).

Exhibit Number	Exhibit Description
4.10	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.15	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.16	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate, dated May 13, 2019, establishing the 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.18	Officers' Certificate, dated April 14, 2020, establishing the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate, dated April 14, 2020, establishing the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.20	Officers' Certificate, dated May 14, 2021, establishing the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Officers' Certificate, dated May 14, 2021, establishing the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.22	Officers' Certificate, dated May 5, 2022, establishing the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.23	Officers' Certificate, dated February 23, 2024, establishing the 5.150% Senior Notes due 2034 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 23, 2024).

Exhibit Number	Exhibit Description
4.24	Officers' Certificate, dated February 23, 2024, establishing the 5.450% Senior Notes due 2054 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 23, 2024).
4.25	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
10.1.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.1.2	First Amendment, dated as of June 21, 2023, to the Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.1.3	Extension Agreement, dated October 26, 2023, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to American Water Company Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 1, 2023).
10.1.4	Extension Agreement, dated as of October 28, 2024, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.2 to American Water Company Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of August 1, 2024, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated August 1, 2024, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.6*	Offer Letter for Employment, dated August 1, 2024, between American Water Works Company, Inc. and David M. Bowler (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).

Exhibit Number	Exhibit Description
10.7*	Offer Letter for Employment, dated August 1, 2024, between American Water Works Company, Inc. and Stacy A. Mitchell (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.8*	Offer Letter for Employment, dated November 1, 2024, between American Water Works Company, Inc. and Maureen Duffy (filed herewith).
10.9*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.10*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.11.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.11.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19. 2019).
10.12*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.13.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.14*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.15.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.15.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).

Exhibit Number	Exhibit Description
10.15.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.15.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.16.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.16.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.16.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.16.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant. (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.16.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.16.7*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.16.8*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (for CEO, CFO and COO), as amended (filed herewith).
10.16.9*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).
10.16.10*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Restricted Stock Unit Grant (for CEO, CFO and COO), as amended (filed herewith).
10.16.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.16.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).

Exhibit Number	Exhibit Description
10.16.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.16.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.16.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (incorporated by reference to Exhibit 10.13.23 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.16.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.16.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.16.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.16.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).

Exhibit Number	Exhibit Description
10.16.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).
10.16.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form C-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).
10.16.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form C-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.30*	Amendments to Forms of 2023 and 2024 Long-Term Performance Plan Grant Documents (other than for CEO, CFO and COO) (filed herewith).
10.16.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.16.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 31, 2024).
10.17*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.18*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.19.1*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (incorporated by reference to Exhibit 10.16 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.19.2*	American Water Works Company, Inc. Amendment 2023-1 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 20, 2023 (incorporated by reference to Exhibit 10.17.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 14, 2024).
10.19.3*	American Water Works Company, Inc. Amendment 2023-2 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 29, 2023 (incorporated by reference to Exhibit 10.17.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 14, 2024).

Exhibit Number	Exhibit Description
10.20.1#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.20.2#	Amendment No. 1 to Secured Seller Note Agreement, dated as of February 2, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 5, 2024).
10.20.3	Amendment No. 2 to Secured Seller Note Agreement, dated as of December 3, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (filed herewith).
10.21	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
19.1	Insider Trading and Prohibited Transactions Policy, as amended, effective December 1, 2024 (filed herewith).
19.2	Personal Securities Trading and Preclearance Practice, as amended, effective April 26, 2023 (filed herewith).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of David M. Bowler, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of David M. Bowler, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
97.1	American Water Works Company, Inc. Incentive-Based Compensation Recovery Policy, dated as of December 1, 2023 (incorporated by reference to Exhibit 97.1 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 14, 2024).

Exhibit Number	Exhibit Description
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted as permitted by rules or regulations of the SEC. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Membership Interest Purchase Agreement filed as Exhibit 2.1 and the Secured Seller Note Agreement and related amendments thereto filed as Exhibit 10.20.1, Exhibit 10.20.2 and Exhibit 10.20.3 to this Annual Report on Form 10-K, have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 19th day of February, 2025.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 19th day of February, 2025, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK	/s/ JEFFREY N. EDWARDS
M. Susan Hardwick **Chief Executive Officer** **(Principal Executive Officer and Director)**	**Jeffrey N. Edwards** **(Director)**
/s/ DAVID M. BOWLER	/s/ MARTHA CLARK GOSS
David M. Bowler **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer)**	**Martha Clark Goss** **(Director)**
/s/ MELISSA K. WIKLE	/s/ KIMBERLY J. HARRIS
Melissa K. Wikle **Senior Vice President, Chief Accounting Officer** **(Principal Accounting Officer)**	**Kimberly J. Harris** **(Director)**
/s/ LAURIE P. HAVANEC	/s/ JULIA L. JOHNSON
Laurie P. Havanec **(Director)**	**Julia L. Johnson** **(Director)**
/s/ PATRICIA L. KAMPLING	/s/ KARL F. KURZ
Patricia L. Kampling **(Director)**	**Karl F. Kurz** **(Board Chair)**
/s/ MICHAEL L. MARBERRY	/s/ STUART M. McGUIGAN
Michael L. Marberry **(Director)**	**Stuart M. McGuigan** **(Director)**

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-277166 and 333-263068) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 19, 2025 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 19, 2025

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 19, 2025

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, David M. Bowler, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 19, 2025

By: /s/ DAVID M. BOWLER

David M. Bowler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
Chief Executive Officer
(Principal Executive Officer)
February 19, 2025

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Bowler, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ DAVID M. BOWLER

David M. Bowler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 19, 2025

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]



amwater.com ▪ ir.amwater.com

1 Water Street
Camden, NJ 08102-1658

"American Water" and the star logo are the registered trademarks of American Water Works Company, Inc. All rights reserved.

MIX
Paper | Supporting responsible forestry
FSC® C132107

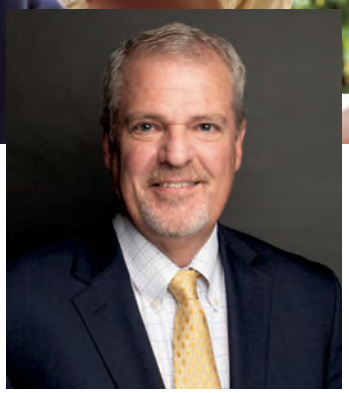


AMERICAN WATER

WE KEEP LIFE FLOWING®

2023 Annual Report





TO OUR SHAREHOLDERS,

Through changing economic circumstances and the evolving needs of our customers and the communities we serve, American Water and its nearly 6,500 employees deliver consistent and reliable performance for all of our stakeholders. In 2023, we continued that tradition of excellence by focusing on our business fundamentals, leading in customer satisfaction, and operating in the most effective and efficient manner. As always, we remain vigilant in our efforts to meet or exceed existing and emerging water quality standards.

For the five years ended December 31, 2023, our total shareholder return (TSR) was 58 percent, exceeding that of the Philadelphia Utility Sector Index (UTY) (41 percent) and reflecting our significant earnings growth in recent years. Also, our company greatly strengthened its balance sheet with our successful equity issuance in early 2023, providing a solid foundation for capital investment in the years ahead.

Consistent with these excellent results and our expectations for strong future earnings and customer growth, the Board again increased our quarterly dividend in 2023, the 15th consecutive year of increases. Our per share dividend has grown at a compound annual rate of approximately 9.3 percent over the last five years.

These results are an outcome of our commitment and adherence to our company values and sound execution by our dedicated employees of our business strategy. The American Water Board of Directors would like to thank our shareholders for their continued trust and support. Please plan to join our virtual Annual Meeting of Shareholders at 10:00 a.m. Eastern Time on Wednesday, May 15, 2024.

Sincerely,

KARL F. KURZ
Board Chair







DEAR FELLOW SHAREHOLDERS,

As we share American Water's 2023 achievements and work to sustain and improve upon them in the future, you will see that we remain committed to our mission to provide clean, safe, reliable and affordable water and wastewater services. A mission that we believe will make a positive impact on communities for generations.

Through our disciplined approach to capital investment and regulatory execution, we continue to offer shareholders a compelling growth opportunity while helping to address water and wastewater challenges across the country.

Illustrating our future outlook, our growth waterdrop portrays how you, our shareholders, can expect American Water to consistently execute for the long term. Rate base growth is at the foundation of our earnings growth story, combined with a robust regulated acquisition strategy and organic growth from our Military Services Group – all resulting in an expected 7 to 9 percent compounded long-term earnings growth rate.



In 2023, our capital investment totaled $2.7 billion, and we are well on track to deliver $3.1 billion in investments in 2024. American Water is making these critical and needed investments as we stay keenly focused on customer affordability. Key to that focus is our culture of continuous improvement and a belief we can always find better, more efficient ways to work.

Enabling our growth is a true competitive advantage that stems from American Water's diverse regulated operations across 14 states. This results in flexibility in capital deployment, mitigation of risk around weather variability impacts, and the use of best practices across our diverse operating footprint.

We also successfully completed an equity issuance in 2023 that strengthened our balance sheet to support our robust long-term capital plan. The success of this issuance provides yet another indicator that the American Water investment thesis remains strong and reflects the leadership role we play in the utility sector.

Our leadership role extends to strengthening our partnerships with communities that are increasingly grappling with the future of water quality, quantity and reliability challenges, including lead, copper, and the presence of PFAS in drinking water. This includes lending our expertise to drinking water standards that protect public health and advocating for sound policy that aids our industry in achieving compliance for the benefit of customers.

Our future growth prospects are even more impactful as our shareholders consider American Water's commitment to sustainable business practices. Our most recent Sustainability Report, issued in 2023, highlights our understanding of the impact that our operations have on the environment and society and our role as stewards of the most precious and essential natural resource: water. American Water's efforts have been recognized as one of Newsweek's World's Most Trustworthy Companies 2023, Newsweek's America's Most Responsible Companies 2024, and inclusion in the top 10 percent of America's Most JUST Companies by JUST Capital and CNBC, among others.



American Water has had the privilege of serving customers and communities across the nation for more than 135 years. We celebrated our journey as a publicly traded company at the New York Stock Exchange last September. Our team's dedication and hard work, as well as the trust our shareholders place in us, are a testament to our success. Recently, American Water was also recognized by Forbes ranking as the number one utility on their America's Best Large Employers 2024 list. We are grateful to our employees for their contributions, and we are honored to work with a team that cares for our customers and each other.

We believe the combination of our earnings and dividend growth, supported by our significant, low-risk, capital investment plan, and our focus on customer affordability and ESG leadership, will continue to be rewarded by our investors. Based on our long-term plan and our history of executing our strategies, we intend to continue to deliver a very competitive, sustainable shareholder return for many years to come.

We are proud of what we have achieved in 2023 and glad you have chosen to invest in American Water. We thank you for your continued support.

Sincerely,

M. SUSAN HARDWICK
President and Chief Executive Officer





COMPANY INFORMATION

AUDIT FIRM AND TRANSFER AGENT

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

Stock Transfer Agent
Equiniti Trust Company, LLC
55 Challenger Road, Second Floor
Ridgefield Park, NJ 07660
Phone: 1-800-937-5449

BOARD OF DIRECTORS

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

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

Jeffrey N. Edwards
Director
Vice Chairman, New Vernon Capital

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

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

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

Julia L. Johnson
Director
President, Net Communications, LLC

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

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

INQUIRIES

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

SHAREHOLDER INFORMATION

	12/31/18	12/31/19	12/31/20	12/31/21	12/30/22	12/29/23	TSR 5 year
American Water Works Company, Inc.	$ 100.00	$ 137.78	$ 174.81	$ 218.19	$ 179.16	$ 158.24	**58.2%**
PHLX Utility Sector Index	$ 100.00	$ 126.82	$ 130.27	$ 154.04	$ 155.04	$ 140.83	**40.8%**
S&P 500 Index	$ 100.00	$ 131.49	$ 155.68	$ 200.37	$ 164.08	$ 207.21	**107.2%**

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

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

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

Annual Meeting
The 2024 annual meeting of shareholders is scheduled for 10:00 a.m. ET on Wednesday, May 15, 2024, to be held virtually (and not at a physical location). All holders of our outstanding common stock at the close of business on March 18, 2024, are entitled to notice of, and to vote at, the meeting. Notice of the meeting and proxy materials will be distributed to shareholders and accessible to the public on our Investor Relations page at https://ir.amwater.com. Management encourages all investors to have their votes counted at the annual meeting.

Executive Certifications
American Water has included as exhibits to its 2023 Annual Report on Form 10-K filed with the Securities and Exchange Commission certifications of the chief executive officer and chief financial officer of the company regarding the company's public disclosures contained therein. The company also provides annually to the NYSE a certificate of the CEO certifying that, among other things, it is not aware of any violation by the company of NYSE corporate listing standards.

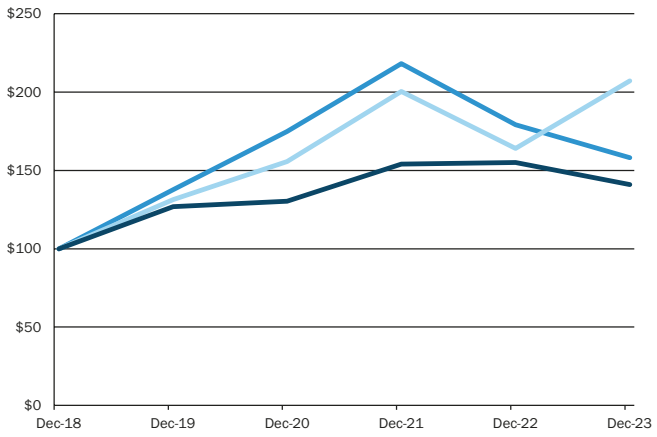
Dividends
Dividends paid on the company's common stock in 2023 were:

March 1, 2023	$0.6550
June 1, 2023	$0.7075
September 1, 2023	$0.7075
December 1, 2023	$0.7075

Stock Performance Graph
The graph below compares the cumulative total return on American Water's common stock with the cumulative total return of the Standard & Poor's 500 Index and the PHLX Utility Sector Index from December 31, 2018, through December 29, 2023. The comparison assumes $100 was invested on December 31, 2018, and that dividends were reinvested.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

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



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

*$100 invested in each security on 12/31/2018, assumes reinvestment of dividends. Fiscal year ending December 31.

Source of data: FactSet.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

OR

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

For the transition period from_____ to_____

Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

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

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

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

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

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

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

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

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

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

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

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

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

Common Stock, $0.01 par value—$24,527,200,000 as of June 30, 2023 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2023, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2023, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—194,755,320 shares as of February 6, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2023 are incorporated by reference into Part III of this report.

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

		Page
Forward-Looking Statements		1
	Part I	
Item 1.	Business	5
Item 1A.	Risk Factors	28
Item 1B.	Unresolved Staff Comments	48
Item 1C.	Cyber Security	48
Item 2.	Properties	51
Item 3.	Legal Proceedings	51
Item 4.	Mine Safety Disclosures	62
	Part II	
Item 5.	Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	63
Item 6.	[Reserved]	63
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	63
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	93
Item 8.	Financial Statements and Supplementary Data	95
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	165
Item 9A.	Controls and Procedures	165
Item 9B.	Other Information	166
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	167
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	168
Item 11.	Executive Compensation	168
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	168
Item 13.	Certain Relationships and Related Transactions and Director Independence	168
Item 14.	Principal Accountant Fees and Services	168
	Part IV	
Item 15.	Exhibits and Financial Statement Schedules	169
Item 16.	Form 10-K Summary	169
Exhibit Index		170
Signatures		180
Specified Exhibits		181

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORWARD-LOOKING STATEMENTS

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

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

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

- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- present and future proposed changes in laws, governmental regulations and policies, including with respect to the environment (such as, for example, potential improvements to existing Federal regulations with respect to lead and copper service lines and galvanized steel pipe), health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern (including without limitation per- and polyfluoroalkyl substances ("PFAS")), public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;
- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
    - acquiring, closing and successfully integrating regulated operations;
    - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
    - realizing anticipated benefits and synergies from new acquisitions;

- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
    - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
    - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;
- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;

- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

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

PART I

ITEM 1. BUSINESS

The Company

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

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

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.5 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $3,920 million for 2023, $3,505 million for 2022 and $3,384 million for 2021, accounting for 93%, 92% and 86%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2023:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
Pennsylvania	$ 810	$ 155	$ 965	24.6%	683	98	781	22.4%
New Jersey	908	57	965	24.6%	668	64	732	21.0%
Missouri	430	20	450	11.5%	483	24	507	14.5%
Illinois	366	61	427	10.9%	299	72	371	10.6%
California	300	4	304	7.8%	190	3	193	5.5%
Total—Top Five States (b)	2,814	297	3,111	79.4%	2,323	261	2,584	74.1%
Other (c)	779	30	809	20.6%	865	37	902	25.9%
Total Regulated Businesses	$3,593	$ 327	$3,920	100.0%	3,188	298	3,486	100.0%

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.
(b) The Company's "Top Five States" are determined based upon operating revenues.
(c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses.

Customers

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

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

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

Presented in the table below is a breakout of the Company's Regulated Businesses' operating revenue by class of customer, for the years ended December 31, 2023, 2022 and 2021:

	2023		2022		2021	
(In millions)	**Revenue**	**Percentage of Revenue**	**Revenue**	**Percentage of Revenue**	**Revenue**	**Percentage of Revenue**
Water services:						
Residential	$2,143	55%	$1,941	55%	$1,935	57%
Commercial	798	20%	710	20%	676	20%
Fire service	158	4%	147	4%	151	5%
Industrial	167	4%	153	4%	141	4%
Public and other water (a)	284	7%	267	8%	239	7%
Wastewater	327	8%	242	7%	208	6%
Other (b)	43	2%	45	2%	34	1%
Total	$3,920	100%	$3,505	100%	$3,384	100%

(a) Includes water revenues from public authorities and other utilities, community water systems under bulk contracts and alternative revenue programs.

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

Presented in the table below is the number of water and wastewater customers the Company's Regulated Businesses' served by class of customer as of December 31, 2023, 2022 and 2021, which represents approximately 14 million people served as of December 31, 2023:

	2023		2022		2021	
(In thousands)	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,893	279	2,870	270	2,972	245
Commercial	221	18	219	17	225	15
Fire service	4	—	51	—	52	—
Industrial	52	—	4	—	4	—
Public and other (a)	18	1	17	1	16	1
Total (b)	3,188	298	3,161	288	3,269	261

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

(b) The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

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

Capital Investment

The Company plans to invest between $34 billion and $38 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an approximate 125-year replacement cycle by 2028, which it anticipates will enable the Company to replace nearly 2,000 miles of mains and collection pipes between 2024 and 2028. In addition, from 2024 to 2028, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. The Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

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

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

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

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

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

Acquisitions and Strategic Growth

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

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 91% water and 9% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies and promote customer affordability after entering a new domestic market.

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

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York.

Industry Legislation

In 2020 and 2021, the United States Congress passed, and the President signed into law, legislation with water and wastewater provisions including the Infrastructure Investment and Jobs Act (the "IIJA"), the

Consolidated Appropriations Act of 2021 and the American Rescue Plan of 2021. The legislation provided funding for a variety of initiatives to support water and wastewater infrastructure, lead service line replacement, treatment of PFAS and other contaminants of emerging concern, and low-income water assistance ("LIHWAP"). LIHWAP expired in 2023.

The Company's regulated subsidiaries in New Jersey, Indiana, and Missouri have versions of water quality or safety accountability acts which require operational or safety and security standards for water and wastewater utilities serving a certain number of customers. In New Jersey, the law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, hydrant and valve maintenance and cybersecurity. In Indiana, the law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. In Missouri, the act requires water and wastewater utilities to create cybersecurity, valve inspection and hydrant inspection programs.

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

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

Competition

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

Condemnation and Eminent Domain

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

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. For more information on this matter, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Potential Condemnation.

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

Water Supply and Wastewater Services

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

Presented in the table below are the percentages of water supply by source type for the Company's Top Five States individually and the Regulated Businesses collectively for the year ended December 31, 2023:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	20%	6%
Pennsylvania	91%	7%	2%
Missouri	84%	15%	1%
Illinois	55%	35%	10%
California	—%	67%	33%
Regulated Businesses	71%	22%	7%

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

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

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

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

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the

Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is warmer and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See—Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Affordability

The Company supports the United Nations' declaration of access to clean water and sanitation as a human right, regardless of economic status. As a water utility, the Company's water must be safe, efficient, reliable, accessible and affordable. Through increased efficiency, conservation and low-income support programs, on average across the enterprise, the Company consistently achieves water costs that are significantly below the EPA's suggested guidance of 2% of household income. Succeeding in water affordability positively affects the health and safety of the Company's customers and contributes to the economic prosperity of the communities in which it operates.

The Company's approach to water access and affordability consists of two key strategies. The first is to supply water that is safe, reliable and meets the needs of its customers. The second is to provide affordable water services to customers while protecting its customers' right to clean water, regardless of economic status or geographic location. The Company also focuses on addressing water affordability by maximizing both supply-side and demand-side efficiency. Average residential water bills for the Company's customers are approximately $55 to $65 per month, and the expected average annual rate increases across the Company's footprint over the next five years is 5% to 6%. The Company continues to advocate for federal and state customer affordability support and monitors the number of customers enrolled in its assistance programs to make sure that it is effectively responding to customer needs.

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on military installations. The Contract Services Group ("CSG"), also included in Other, has three contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for Other were $314 million for 2023, $287 million for 2022 and $546 million for 2021, accounting for 7%, 8% and 14%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the

contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. The U.S. Army has a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for four of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 14 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $7.1 billion, with an average remaining contract term of 39 years.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests of the HOS subsidiaries for total consideration of approximately $1.275 billion. Prior to the Closing Date, the Company provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

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

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that

drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $900 million over the next five years, and $200 million in 2024, to address water quality issues; most of which are focused on compliance with environmental laws and regulations. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use gaseous chlorine as well as other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

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

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering development of a new regulation for perchlorate and updates to the current microbial and disinfection byproduct regulations. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2024.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating

costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

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

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

On December 21, 2021, the EPA announced next steps to strengthen the regulatory framework on lead in drinking water, including implementing the Lead and Copper Rule Revisions ("LCRR") and indicated an intent to finalize the Lead and Copper Rule Improvements ("LCRI") which were proposed on December 6, 2023, prior to October 16, 2024, the initial compliance date in the LCRR. The Company is executing an implementation strategy to comply with the initial LCRR requirement to complete a lead service line inventory. Capital expenditures and operating costs associated with the LCRI will be determined once the EPA finalizes the rule, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. The Company has provided both oral and written comments to the EPA on the proposed LCRI. The Company believes that, if the LCRI rulemaking were to be implemented, the total investment cost to identify and replace lead and galvanized steel service lines in the United States by 2037 would be significant and has been underestimated by the EPA in the LCRI rulemaking. Finally, the Company supports a delay of the compliance date for those portions of the LCRR proposed to be extended by the LCRI, some of which are currently scheduled to take effect on October 16, 2024, to allow all water service providers to prepare adequately for any changes that may be implemented through the proposed LCRI rulemaking while continuing to comply with the existing requirements.

The IIJA was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company will evaluate its service territories and apply for funding for those areas that meet applicable requirements. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR and proposed LCRI. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

National Primary Drinking Water Regulations

On March 14, 2023, the EPA announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six PFAS including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule in 2024 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFOA and PFOS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses up to approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

Clean Water Act

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

Research and Development

The Company's Research and Development Program

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

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

Contaminants of Emerging Concern

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

The Chemicals Abstract Service Registry contains over 204 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

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

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

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

Service Company and Security

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

The Company's security team, through Service Company, provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. The security team is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. For additional information concerning this team and the Company's cybersecurity program, see Item 1C—Cybersecurity.

Environmental, Social Responsibility and Governance

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

Delivering safe, clean, reliable and affordable water services to customers and treating wastewater has been fundamental to the Company's business for decades. The Company has an opportunity to make a positive, sustainable impact in thousands of communities by serving them with diverse and skilled employees and maintaining the governance and diligence to meet or exceed service expectations.

Demonstrated ESG Leadership

The Company's values and actions have achieved prestigious recognition by firms devoted to recognizing companies that demonstrate ESG leadership. Among others, American Water (i) was recognized on the 2023 Bloomberg Gender-Equality Index for the fifth consecutive year, (ii) was ranked 18th on Barron's 100 Most Sustainable U.S. Companies 2023 List, (iii) was named one of America's Most JUST companies by JUST Capital and CNBC for its continued commitment to employees, customers, communities and shareholders, (iv) earned the U.S. Department of Homeland Security's SAFETY Act designation and the EPA's WaterSense® Excellence Award, and (v) was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans.

ESG Oversight

Management and Other Supporting Roles

American Water has developed a cross-functional approach for developing and implementing its ESG strategy, principles and reporting. The function involves the direct involvement and participation by many of its business units, including without limitation, its executive leadership team, as well as environmental, health and safety, human resources, legal, finance, accounting and investor relations teams (which includes the Company's ESG reporting function).

Board of Directors Oversight

The Board of Directors oversees the Company's strategy and performance related to sustainability through four standing committees:

- The Safety, Environmental, Technology and Operations Committee has oversight and responsibility with respect to, among other things: water quality and emerging contaminants; operational matters and functions; environmental and climate-related matters; and physical security and cybersecurity.
- The Audit, Finance and Risk Committee has oversight and responsibility of, among other things: the Company's risk assessment and enterprise risk management; the Company's financial statements and accounting; the independent auditor; internal audit and controls; and ethics and compliance matters.
- The Executive Development and Compensation Committee oversees, among other things: the Company's human capital management and ID&E programs; culture and related engagement with employees; and executive development, succession and compensation.
- The Nominating/Corporate Governance Committee has oversight and responsibility with respect to, among other things: corporate governance; Board and committee membership, leadership and composition; director nominations and succession; and director education.

Alignment with Annual Performance Plan

- The Company's Annual Performance Plan ("APP"), which provides annual, performance-based cash compensation to Company employees based upon the achievement of stated business goals, is aligned with its commitment to ESG principles. Performance measures and other mandatory training requirements related to the 2023 APP included the following:
  - Environmental: Drinking Water Quality and Program Compliance;

- Social: Customer Satisfaction, Employee Safety and Employee Diversity; and
- Governance: The Company requires annual completion of Code of Ethics training for an employee to be eligible to receive an APP payout.

Reporting, Disclosures and Transparency

- In 2023, the Company issued its seventh Sustainability Report as well as its ESG Data Summary, which covered performance and management of key metrics within the 2022 calendar year. American Water will begin publishing its Sustainability Report annually in 2024.
- In addition, the Company issued its third annual Inclusion, Diversity & Equity ("ID&E") Report, which describes the Company's inclusion and diversity strategies, practices, policies and programs. During 2023, the Company also continued to update key ID&E metrics quarterly on its *DiversityatAW.com* website.
- As part of its continued commitment to transparency, the Company provided the following new disclosures:
  - Independent assurance of Scope 1 and Scope 2 greenhouse gas emissions for 2020, 2021 and 2022, in accordance with the International Standard for Assurance Engagements ISAE 3000 (Revised);
  - EEO-1 data for 2022, marking the third consecutive reporting year that the Company has shared this information broadly;
  - A comparison of the Company's employee racial/ethnic diversity and residential customer diversity; and
  - A director skills and diversity matrix.
- The Company also discloses on its website its Political Contribution Policy, and, on an annual basis, information related to political contributions, certain payments to tax-exempt organizations and trade associations (including Section 501(c)(4) organizations), and lobbying expenditures.

Human Capital Resources

Overview

American Water is committed to supporting a high performing workforce, and the Company seeks to attract and retain employees who share the Company's purpose and values and represent the communities the Company serves. The Company demonstrates this commitment to its employees through its employee value proposition, called weCARE, which forms a central part of the Company's human capital resources mission and includes a focus on deeper connections, personal growth, shared purpose, flexibility and well-being. The Company believes that investing time, energy and resources in its workforce helps to generate new ideas, continuously improve operations, and provide high-quality, reliable service for the customers and communities served.

Employee Health and Safety

Safety has always been a core value at American Water and is a critical component of its business strategy. The Company's ultimate goal is to achieve zero incidents, injuries and fatalities for the Company's employees and contractors, all of whom deserve to return home from work in the same, or better, condition than when they arrived. The Company's commitment to employee health and safety includes, in addition to physical safety, both emotional safety and overall wellbeing.

To support the Company's commitment to safety, the Company's employees completed approximately 157,000 hours of employee safety training, including physical security and cybersecurity training, during 2023.

To support and enhance the Company's safety culture, the Company also collaborates on local, regional, and national levels with its labor union partners. Employees are empowered to demonstrate safety leadership by utilizing a number of safety practices embedded in the Company's culture, such as the use of (i) daily and pre-meeting safety messages, (ii) "Stop Work Authority" (the power to stop working immediately and mitigate a hazard whenever an employee believes a task is unsafe), and (iii) a peer-to-peer program in which employees observe and coach each other to encourage safe work. For 2023, the Company had an ORIR injury rate of 0.86, which reflects a 4% increase in injuries compared to 2022, taking into account a 1% increase in labor hours compared to 2022. Also, the number of Days Away Restricted or Transferred ("DART") injuries increased by 43.5% compared to 2022, primarily due to an increase in strain, sprain and tear injuries, which the Company has focused on addressing through safety action plans tailored to these types of injuries. For 2023, the Company had 54 injuries and its DART rate was 0.52 (33 injuries), compared to an ORIR of 0.85 (52 injuries) and a DART rate of 0.37 (23 injuries) in 2022.

The Company continued its focus in 2023, to promote leading indicator safety activities, including pre-job safety briefings and near-miss reporting, and by supporting the achievement of internal Certified Safe Worker designations. Near-miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 32% in 2023 over 2022, and 98% of near-miss incident corrective actions were completed, with nearly 97% completed within 30 days. The Company utilizes near-miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

This commitment to safety also includes building a culture of well-being where all employees can feel emotionally safe and live a healthy lifestyle. Through well-being education, the Company is able to encourage employees to take preventative actions and increase participation in annual well-care exams and cancer screenings. In 2023, the Company introduced an enhanced wellness program platform to increase overall engagement and to leverage the use of mobile technologies. As a result, 34% of enrolled employees reached the highest participation level in the wellness program (compared to 19% in 2022). In addition, the mobile-ready platform presented an opportunity to engage more front-line employees in a user-friendly way.

Inclusion, Diversity and Equity

The Company believes that employees are at their best when they can bring their full selves to work every day. This belief is the central component of the Company's "Beautifully Different" philosophy, which recognizes, embraces and celebrates the uniqueness of its employees. The Company also believes that having employees with different ideas, viewpoints, experiences and backgrounds improves its ability to serve a diverse customer base. To this end, the Company is committed to seeking and promoting diversity among its workforce, executive and senior management leadership teams, to align the diversity of the Company's workforce with the diversity of the communities in which it serves.

As part of its APP, the Company has included diversity goals intended to increase the representation of women in, and the ethnic and racial diversity of, the Company's workforce. The goals measure the percentage of females and racial/ethnic diversity among the Company's workforce based on voluntary self-identification.

The Company maintains its *DiversityatAW.com* website to provide transparency and communicate progress on the Company's initiatives. This website currently includes, among other information, American Water's overall strategic approach to ID&E, the Company's ID&E report, its EEO-1 data, key employee diversity metrics (which are updated quarterly), and a discussion of the Company's pay equity study and internal labor market analysis.

During 2023, the Company continued to focus on creating a culture that respects and supports inclusion, diversity and equity. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee, and to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and

unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, including its executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all leaders to lead with inclusion, diversity and equity.

During 2023, 85.0% of the Company's hiring candidate pools were diverse. Additionally, for 2023, approximately 48.2% of the Company's internal employee transfers and promotions were filled with a diverse individual, reflecting the Company's commitment to employee development and career growth as well as the Company's focus on workforce inclusion, diversity and equity. For purposes of these metrics, diversity refers to gender, race, ethnicity, disability, veteran/military spouse status, and LGBTQ+ status, all based on voluntary, self-identified employee information.

The Company maintains active partnerships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability: IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among its recognitions, the Company was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans. American Water was also recognized as the first utility to receive the Friendly Forces 5 STAR Reservist Friendly Employer award, the highest employer rating for Guard service personnel and reservists.

The Company was also a top scorer in the 2023 Disability Equality Index for the fifth consecutive year and was recognized by 50/50 Women on Boards™ for a gender-balanced board of directors, Fortune's Modern Board 25 Ranking, as well as a Champion of Board Diversity with distinction by the Forum of Executive Women. The Company was also named a 2023 Best of the Decade honoree by Minority Business News USA and Women's Enterprise USA, and the Company was included in the 2023 Impact Shares NAACP Minority Empowerment ETF. In keeping with the Company's values, the Company has a stated "zero-tolerance" approach against discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes instructions on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

The Company's five Employee Business Resource Groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+, and Disabilities/Caregivers, with Military added in 2023), strive to create measurable and long-lasting positive impacts on employees' careers, as well as the Company's culture and communities in which it serves. EBRG members participate in events and awareness activities throughout the year, which highlight the importance of building an inclusive and equitable culture. For example, employees may participate in monthly meetings with a focus on various related topics, including career development, psychological safety, cultural awareness or business objectives. EBRG members also have the opportunity to impact the communities in which the Company serves through service projects, including the annual Juneteenth Unity Walk that supported the National Alliance on Mental Illness, an organization that provides advocacy, education, and support for, and public awareness of, mental illness, and projects supported by a partnership with Girl Scout troops to promote environmental stewardship and the importance of careers in science, technology, engineering and mathematics, among others.

Total Rewards

In order to attract, retain and motivate a skilled, high-performing and diverse workforce, American Water provides a comprehensive and highly competitive Total Rewards program, including base pay, APP, long-term performance plan compensation for certain leadership positions, and a wide range of benefits consisting of, among others: medical, prescription, dental, vision, life and disability insurance coverage, a retirement savings plan, an employee stock purchase plan, educational assistance, paid time off through holidays and vacation and

sick time. The Company's Total Rewards offerings also include a health and wellness program and a menu of additional voluntary benefits.

All the Company's employees, including those who are union-represented, participate in the APP to promote alignment between performance-based compensation and the achievement of the Company's short-term performance goals. In addition, as part of its commitment to providing an inclusive and equitable culture for all employees, the Company regularly reviews its success in achieving pay equity, whereby pay decisions would be based on the responsibilities, talents and skills of its employees, rather than unrelated factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week are eligible for full-time benefits. Approximately 89% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total premium cost of medical, dental and vision coverage. To reinforce the Company's commitment to inclusion, diversity and equity, the Company's medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit. In addition, in 2023, the Company increased its paid family leave benefit for employees from two weeks to six weeks.

Talent Development

The Company partners with business leaders to understand the key behaviors and competencies required to operate safely and effectively, and to meet our short and long-term business objectives. The Company applied its workforce planning process in 2023, to assess key positions across the organization, identify potential talent risks, and begin building action plans to mitigate those risks. In addition, the Company worked to create and deploy programs designed to attract, motivate, develop and retain talented employees, and foster a learning culture. In 2023, the Company enhanced its employee learning goal, which provided an opportunity for employees to complete a minimum of 25 hours of learning through a variety of methods, including: on-the-job experiences and challenges; teaching others; and traditional instructor-led or remote learning opportunities. The Company believes that personal growth is a valuable component of weCARE and is committed to supporting strategies to help its employees develop both personally and professionally. Approximately 95% of active, full-time employees hired before October 1, 2023, met the employee learning goal, resulting in approximately 328,000 hours of total training completed during the year.

In addition to required role-based training, managers assist employees to identify professional development opportunities, utilizing a framework of on-the-job learning, social learning and formal learning, to help them attempt to reach their full potential and grow their careers. To further support employees' growth and development, during 2023, the Company expanded the employee profile fields within its employee information system to allow employees to showcase their achievements, contributions and aspirations, as well as to support identification of developing and key talent.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2023, the Company engaged in succession planning activities for the Company's business-critical and business-impact positions. These succession plans support the Company's business continuity plans and goals, through the identification and development of current and future leaders, and promote diversity, retention and talent development priorities.

In addition to succession planning for executive and senior leadership roles, in 2023, the Company conducted local and enterprise-wide talent reviews, identifying top and emerging talent with a focus on diversity, strengths, gaps and development needs against the critical skills needed for certain roles. Through these talent review processes, business leaders identified a pool of high-potential employees, which will assist the Company in supporting their career goals and aspirations and promote more effective employee experience and talent retention efforts. The Company also utilizes annual six-month mentoring programs designed to accelerate

emerging leaders' abilities to demonstrate leadership capabilities and relationships, with the guidance of an experienced executive mentor. Finally, in 2023, the Company, together with an outside vendor, initiated a new pilot program, called Accelerate for Impact, to support development of its high-potential employees' key competencies. Accelerate for Impact provides select high-potential employees the opportunity to engage in social learning activities and to complete self-directed, online coursework that culminates with a capstone project.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements: deeper connections; personal growth; shared purpose; flexibility; and well-being. weCARE represents the Company's commitment to valuing its employees and building a safe, healthy and inclusive culture where employees know their value and are appreciated for their talents and commitment to supporting the Company's success. The Company offers employee programs covering each of the five components of weCARE. The Company is committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. To that end, the Company captures employee feedback, which helps the Company understand how employees are feeling and permits appropriate refinement of the Company's employee programs, benefits and support. In early 2023, the Company administered an evolved engagement survey, seeking to capture a view of the Company's employee experience, pursuant to which the Company received actionable feedback on each of these weCARE elements.

Workforce Data

As of December 31, 2023, the Company had approximately 6,500 employees. For 2023, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2023, was 11.5%, down from 12.3% in 2022. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2023, approximately 47% of the Company's workforce was represented under 73 collective bargaining agreements with 14 different unions. In 2023, the Company renegotiated 21 collective bargaining agreements that were set to expire during the year. During 2024, 21 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, the Company's national benefits agreement, which expires on July 31, 2028, covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference. In 2023, the Company initiated a joint effort with certain of these labor unions and the Federal Mediation and Conciliation Service to host local discussions among management and union leaders with the goal of supporting and enhancing constructive relationships with these unions.

Board Oversight

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

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 14, 2024:

Name	Age	Office and Experience
M. Susan Hardwick	61	**President and Chief Executive Officer.** Ms. Hardwick has served as President and Chief Executive Officer of the Company since February 2, 2022. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee. Ms. Hardwick is also a member of the Board of Directors of the National Association of Water Companies and serves on its Executive Committee.
James H. Gallegos	63	**Executive Vice President and General Counsel.** Mr. Gallegos joined the Company on April 1, 2022 as its Executive Vice President and General Counsel. From February 2020 until April 2022, Mr. Gallegos served as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, "Alliant Energy"). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy. Prior to that, Mr. Gallegos served in various positions with U S WEST, Inc., which merged with Qwest Communications International Inc. in 2000.
John C. Griffith	57	**Executive Vice President and Chief Financial Officer.** Mr. Griffith joined the Company on May 16, 2022 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.

Name	Age	Office and Experience
Melanie M. Kennedy	50	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Cheryl Norton	59	**Executive Vice President and Chief Operating Officer.** Ms. Norton has 35 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

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

Available Information

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

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

The Corporate Governance Guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on the Company's Investor Relations website, and will be made available, without charge, in print to any shareholder who requests such documents from the Company's Investor Relations Department in writing by mail at American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

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

Risks Related to Our Industry and Business Operations

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

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

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

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

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

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on equity permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions, (iv) we experience a significant increase in customers without recovery of the operating and other costs associated with serving them, or a decrease in customers that causes a decrease in operating revenue, or (v) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

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

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR (as amended), and each of their implementing rules and regulations, as well as other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If the water or wastewater services we provide to our customers do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry. In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements, such as the anticipated EPA drinking water regulations for PFAS, the LCRR and the proposed LCRI, could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity. We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as gaseous chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

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

condition, results of operations and reputation. In addition, we believe these contaminants will continue to form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

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

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

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the "1995 Order," the "2009 Order" and, as amended in July 2016, the "2016 Order" and, collectively, the "Orders") that require Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

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

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

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and

requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

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

There is typically a delay, known as "regulatory lag," between the time our Regulated Businesses make a capital investment or incur an operating expense increase, including as a result of inflation or other factors, and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a

considerable extent, based on the volume of water used in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag or the impacts thereof could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

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

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

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

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

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;

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

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

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

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

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any

decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

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

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2023, we invested $2.6 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. If we are not able to obtain sufficient financing through current or future sources of liquidity, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

Two of our jurisdictions, California and Illinois, currently have revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

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

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other

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

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

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

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our long-term contracts related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

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

The properties of our Regulated Businesses segment include 74 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

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

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

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

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

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

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

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

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

Some or all of these items could have a material adverse effect on our business. In addition, state laws on acquisition treatment or PUC interpretation thereof may affect our ability to recover costs associated with our investments in newly-acquired water and wastewater systems and any difficulties we encounter in the negotiation, execution or integration process could have a material adverse impact on our results of operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

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

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition. For example, on December 15, 2023, the MPWMD filed eminent domain litigation against Cal Am in Monterey County Superior Court with respect to the Monterey system assets. See Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets—Potential Condemnation for additional information regarding this matter.

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

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our

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

We may be subject to physical and cyber attacks.

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

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

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not be covered by insurance or recoverable in rates.

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

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

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

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

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

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our

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

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

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

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

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

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We have implemented, and will continue to implement, technology to improve our business processes and customer interactions (including, without limitation, in connection with the installation or upgrade of our enterprise resource planning systems, and to support our cybersecurity

program), and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

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

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future.

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

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

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public.

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

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, or if the location and identification of these chemicals are not reported accurately or timely, serious injury, death, environmental damage or property damage could result, and we could be subjected to fines, penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

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

As of December 31, 2023, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which are scheduled to expire during 2024, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

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

As of December 31, 2023, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $12.4 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

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

During 2023, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements.

We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2024, 2025 and 2026 will be $475 million, $619 million and $1,478 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

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

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

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

In addition to cash from operations, during 2023, we relied on a $2.75 billion revolving credit facility, a $2.60 billion commercial paper program, and the debt and equity capital markets, to satisfy our liquidity needs. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2023, there were no outstanding borrowings under the revolving credit facility, $180 million of commercial paper outstanding and $75 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

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

we are able to comply with this or other covenants, the limitations on our operational and financial flexibility could harm our business by, among other things, limiting our ability to incur indebtedness or reduce equity in connection with financings or other corporate opportunities that we may believe would be in our best interests or the interests of our shareholders to complete.

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

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

The conditional exchange feature of the Exchangeable Senior Notes due 2026, if triggered, may adversely effect our liquidity and financial condition and may dilute the ownership interest of our shareholders or may otherwise depress the price of parent company's common stock.

In June 2023, AWCC issued $1,035.0 million aggregate principal amount of its 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). See Note 11—Long-Term Debt in the Notes to the Consolidated Financial Statements for a description of the Notes. In the event the conditional exchange feature of the Notes is triggered and one or more holders elect to exchange their Notes, AWCC would be required to settle any exchanged principal through the payment of cash, which could adversely affect our liquidity. In addition, in that case, even if holders do not elect to exchange their Notes, we would be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. If AWCC elects to settle the portion, if any, of an exchange obligation in excess of the aggregate principal amount of the Notes being exchanged in shares of parent company common stock or a combination of cash and shares of such common stock, any sales in the public market of the common stock deliverable upon such exchange could adversely affect prevailing market prices of parent company common stock. In addition, the existence of the Notes may encourage short selling by market participants because the exchange of the Notes could be used to satisfy short positions, and any anticipated exchange of the Notes for shares of such common stock could depress the price of such common stock.

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

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

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

Our assets as of December 31, 2023, included $1.1 billion of goodwill and $236 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and changes in fair value of certain of our other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

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

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement

benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

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

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2023, we had remaining performance commitments, as measured by remaining contract revenue, and primarily related to MSG's contracts, totaling approximately $7.8 billion, of which $1.2 billion are guaranteed by parent company and the remainder is guaranteed by certain subsidiaries in Other. The aggregate amount of remaining performance commitments is likely to increase as the number of military bases served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

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

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

General Risk Factors

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

Our Consolidated Financial Statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board or other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

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

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

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

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

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

Our Code of Ethics requires employees and contractors to make decisions ethically and in compliance with applicable law and regulatory requirements, and our Code of Ethics and its underlying policies, practices and procedures. All employees are required to complete training on and review the Code of Ethics on an annual basis, and violations of the Code of Ethics could result in disciplinary actions up to, and including, termination. Despite these efforts to prevent misconduct, it is possible for employees or contractors to engage in intentional misconduct and violate laws and regulations through, among other things, theft, fraud, misappropriation, bribery, corruption and engaging in conflicts of interest or related person transactions, or otherwise committing serious breaches of our Code of Ethics and our policies, practices and procedures. Intentional misconduct by employees

or contractors could result in substantial liability, higher costs, increased regulatory scrutiny and significant reputational harm, any of which could have a material adverse effect on our financial condition, results of operations and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company's Cybersecurity Program

The Company's cybersecurity program is an integral part of the long-term sustainability and effectiveness of the Company's operational and technology environment. To protect the integrity of its data and operational and technology systems, the Company employs a "defense-in-depth" strategy that uses multiple security measures. This strategy aligns with the National Institute of Standards and Technology Cyber Security Framework and provides preventative, detective, and responsive measures to identify and manage risks. The Company periodically reviews and modifies the implementation of its cybersecurity strategy based on threat trends, program maturity, the results of assessments, and the advice of third-party security consultants.

The Company's cybersecurity program includes the following areas of focus:

- Technology that includes, among other things, encryption, threat management, monitoring, investigation support and backups for physical devices, such as mobile phones and computers, connected to the Company network;
- Identity and access management controls that include, among other things, multi-factor authentication and safeguards associated with granting elevated privileges;
- Proactive cybersecurity processes, including vulnerability scanning, penetration testing and periodic program assessments by outside security consultants and assessors;
- Reactive cybersecurity processes that are regularly evaluated using various incident response and disaster recovery exercises;
- Employee cyber risk awareness and training, including regular simulation exercises with employees, that covers cybersecurity threats and actions to prevent and report attacks; and
- Third-party risk management and security standards, including due diligence, continuous monitoring, cyber risk scoring and contractual obligations, and periodic review of third-party control environments to align the Company's risk exposure with its business requirements and risk tolerances.

Third-Party Relationships

The Company utilizes partners and third-party service providers to help deliver safe and reliable water and wastewater services across its regulated operations and has implemented a third-party risk management program to understand the cybersecurity risks to the Company that may arise out of these third-party relationships. The Company categorizes third-party relationships by risk level, which is determined primarily by the service provided by the third-party and its level of access to the Company's data. Each category has specific cybersecurity controls, data privacy and documentation requirements, which are outlined in the agreement between the Company and the third-party service provider. In addition, the Company evaluates the online security footprint for its service providers at the time of agreement, and on a regular basis, thereafter, depending on the provider's risk level. The Company reviews its agreements with third-party service providers periodically related to terms and conditions governing cybersecurity controls and data privacy. The Company also monitors, as appropriate, risks relating to potential compromises of sensitive Company information through third parties

and reevaluates these risks periodically. In addition, the Company obtains annual attestation reports related to data security and privacy from certain third-party providers to further support compliance with industry-standard cybersecurity protocols.

Cybersecurity Risks

The Company believes that its current preventative actions and response activities provide reasonable measures of protection against security breaches and serve generally to reduce the Company's overall cybersecurity risk. However, cybersecurity threats are constantly evolving and have and will continue to become more frequent and sophisticated. Although the Company has implemented measures that it believes are reasonable to safeguard its operational and technology systems and has sought to establish a culture of continuous monitoring and improvement, the evolving nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. In addition, the Company has obtained insurance to provide coverage for a portion of the losses and damages that may result from a cyber attack or a security breach, but such insurance is subject to exclusions, limitations and exceptions, and may not cover the total loss or damage caused by an attack or breach. To date, management has determined that no cybersecurity incident experienced by the Company has resulted in a material impact on its financial condition, results of operations or business strategy. For additional information concerning cybersecurity-related risks, see Item 1A—Risk Factors—We may be subject to physical and cyber attacks, and —We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

Cybersecurity Risk Management and Strategy

The Company has established an enterprise-wide cybersecurity program designed to prevent disruption to critical information systems, minimize the loss or manipulation of sensitive information, and to timely identify, escalate and promptly remediate and recover from cybersecurity incidents and facilitate compliance with regulatory and disclosure requirements. To oversee cybersecurity risk management, the Company employs a dedicated unit, led by the Company's Chief Security Officer ("CSO"), to implement cybersecurity controls, assess and report on cybersecurity risks and consult with the Company's internal Enterprise Risk Management Committee, a decision-making body which supports and oversees the identification, assessment, prioritization, and mitigation strategies for enterprise-level risks, including cybersecurity risks. The Company's CSO has 23 years of work experience in the cybersecurity field throughout various industries, including the utility sector, and has obtained several professional certifications, including from the International Information System Security Certification Consortium. The CSO reports directly to the Company's Chief Information Officer ("CIO"), who is responsible for the Company's information technology program. The CIO has over 25 years of work experience in the information technology, physical security and cybersecurity fields, including previously serving as the Company's CSO, and holds the Certified Protection Professional, Professional Certified Investigator and Physical Security Professional certifications from ASIS International. The CIO serves on the Water Sector Coordinating Council ("WSCC"), an advisory body comprised of representatives from various U.S. water and wastewater organizations, which serves as a policy, strategy and coordination mechanism for the water sector on critical infrastructure security and resilience issues. In that role, the CIO partners with representatives from the Department of Homeland Security and the EPA on U.S. water and wastewater sector initiatives. The CIO is also the former Chair of the WSCC, the National Association of Water Companies' Safety and Security Committee, and the ASIS Utility Security Council.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. The Company's security team also conducts annual and ongoing cybersecurity awareness training and education for the Company's employees. In 2023, 100% of the Company's active workforce completed mandatory cybersecurity training. By equipping employees with knowledge and skills, the Company strives to cultivate and maintain a cybersecurity-conscious culture within its workforce.

The Company's cybersecurity risk assessment process involves considering risks associated with the nature of its business, receiving and processing inputs from internal and external stakeholders, monitoring industry trends and risks and engaging external advisors, to assist in aligning the Company's cybersecurity processes with industry best practices. Risk assessments are conducted quarterly and annually to evaluate the effectiveness of the Company's existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers.

The Company has also implemented a vulnerability assessment program that is conducted at least annually and more frequently, depending on the nature of the risk. This process serves as a guiding enterprise-wide framework to outline the scope and procedures of the Company's cybersecurity risk management processes. By prioritizing vulnerability management and continuously evaluating the Company's internal and external environments for vulnerabilities, the Company aims to implement preventative measures to protect its information assets and technology-based infrastructure from cybersecurity threats. This approach helps to reduce the Company's exposure to material cybersecurity threat risks.

Incident Response

The Company utilizes an established internal framework designed to assess promptly the severity and materiality of cybersecurity incidents based on predefined quantitative and qualitative criteria and to determine the appropriate level of response. Incidents are escalated to the relevant management teams based on their severity and materiality for prompt response and mitigation. The Company maintains a standing crisis response team comprised of individuals from various functional units, including without limitation Information Technology, Legal, Finance, Enterprise Risk Management, Operations and Communications, to respond to cybersecurity and physical security incidents, environmental incidents and health and safety emergencies, among others.

If a cybersecurity incident were to occur, the Company would establish a cross-functional incident response team to respond to the specific cybersecurity incident. The incident response team would consist of a subset of members from the standing crisis response team, including personnel with the most relevant experience related to the specific incident. This collaborative approach is intended to enable the Company to leverage expertise throughout the business to address cybersecurity events and to evaluate the potential financial, legal, operational and reputational implications of an incident, or series of related incidents. In considering the materiality of an event, related attacks, whether in terms of quantity or impact, are reviewed individually and in the aggregate to determine whether they may have a significant impact on the Company's financial condition, results of operations or business strategy, either quantitatively or qualitatively.

Cybersecurity Governance

The Board of Directors is responsible for oversight of the Company's cybersecurity program and the Company's responses to cybersecurity risk. The Board of Directors has delegated to the Safety, Environmental, Technology and Operations ("SETO") Committee of the Board of Directors responsibility for the oversight and review of technology policy, strategy and governance, and cybersecurity issues that could impact the Company's operational performance or risk profile. The SETO Committee meets at least quarterly and receives reports from the CIO and CSO related to cybersecurity threats, trends and risks, and related mitigation activities. In addition, the SETO Committee and the Board of Directors receive reports of periodic external assessments and internal testing of the effectiveness of the Company's cybersecurity program. The SETO Committee coordinates with the Audit, Finance and Risk Committee of the Board of Directors, as appropriate, on matters related to cybersecurity risk. The Audit, Finance and Risk Committee is responsible for, among other things, overseeing the adequacy

and effectiveness of the Company's system of internal controls and the Company's risk assessment and management strategy, including with respect to cybersecurity risks.

ITEM 2. PROPERTIES

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

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

- 80 surface water treatment plants;
- 540 groundwater treatment plants;
- 175 wastewater treatment plants;
- 53,700 miles of transmission, distribution and collection mains and pipes;
- 1,200 groundwater wells;
- 1,700 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 74 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 50% of all properties that the Company owns are located in New Jersey and Pennsylvania.

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

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

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 14, 2024, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

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

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

Following issuance by the Coastal Commission in November 2022, of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2023, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2024, and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the reduction or exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

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

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $241 million in aggregate costs as of December 31, 2023, related to the Water Supply Project, which includes $72 million in AFUDC.

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

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

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision. On March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing but adopting its proposed AFUDC for already incurred and future costs. The decision also provides Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings in this proceeding have been scheduled for March 2024.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023 rehearing decision. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

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

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

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

In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency ("GSA"), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the MPWSP slant wells. Cal Am is named as a real party in interest. On November 14, 2023, the court set an initial trial date of May 1, 2024. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2025 and the desalination plant is estimated to be in-service by the end of 2027.

Desalination Plant Development Permit

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

Monterey County and Cal Am from commencing construction of the desalination plant. In October 2019, after a hearing, the court denied, without prejudice, MCWD's motion for a preliminary injunction, but issued a stay of Monterey County's approval of the combined development permit, precluding commencement of physical construction of the desalination plant, but allowing Cal Am to continue to obtain permits needed for the desalination plant's construction. In January 2021, the court issued its decision granting in part and denying in part MCWD's petition. The court found that Monterey County did not completely comply with all of the requirements necessary to approve the combined development permit and set aside its approval so that Monterey County could come into compliance. The court denied all of MCWD's other claims. The court also lifted its stay on physical construction at the plant site.

In May 2021, Cal Am filed a notice of appeal as to the Monterey County Superior Court's January 2021 decision, seeking to challenge the court's decision on Monterey County's statement of overriding considerations. Monterey County filed a notice of appeal as to the same issue in May 2021. In June 2021, MCWD filed cross-appeals on its claims that had been denied by the court. On September 8, 2023, the court of appeal issued its opinion reversing the trial court's determination in favor of MCWD as to the statement of overriding considerations and rejecting MCWD's appeals on all of its claims that the Monterey County Superior Court had denied. On September 25, 2023, MCWD filed a petition for rehearing in the court of appeal, which was denied on October 4, 2023. On November 13, 2023, MCWD filed a petition for review in the California Supreme Court, which was denied on January 10, 2024.

Proposed Zoning Changes at CEMEX Site for Slant Wells

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

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan would need to be submitted to the Coastal Commission for approval; however, the Coastal Commission's November 2022 approval of Cal Am's coastal development permit application has rendered moot the impact of these proposed local coastal program and zoning changes on the issuance of the coastal development permit.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2025. A required lease obtained from the California State Lands Commission, as amended, expires on December 16, 2027.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

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

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB held hearings in 2022 and 2023, on the referred issues before its Administrative Hearing Officer. The Monterey County Superior Court has set a trial date of July 15, 2024, for the City's lawsuit.

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

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

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering

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

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020. In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. On May 3, 2023, the City filed a second reverse validation complaint, challenging the adoption of amendments to the GSP for the 180/400 subbasin.

After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void. The related validation and reverse validation actions remain stayed during the pendency of the appeal. On November 13, 2023, the California Court of Appeal affirmed the trial court's decision. On December 22, 2023, the City filed a petition for review with the California Supreme Court.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58

parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and allowing the MPWMD to seek further LAFCO review of its application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, each of Cal Am and LAFCO, respectively, filed a notice of appeal with the California Court of Appeals regarding the Monterey County Superior Court's decision to issue the writ of mandate. Cal Am is evaluating potential additional actions to contest the writ of mandate and to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

Potential Condemnation Actions by MPWMD

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets.

On December 15, 2023, the MPWMD filed a lawsuit in Monterey County Superior Court seeking to condemn the Monterey system assets. While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored on July 1, 2015, to all customers affected by this event.

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

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. In July 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. In August 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 2022 order, which petition was denied on June 8, 2023. On August 21, 2023, the Circuit Court set a date of September 9, 2024, for a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide or punitive damages.

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

Chattanooga, Tennessee Class Action Litigation

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

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre-and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. On September 21, 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On

December 1, 2023, TAWC filed a memorandum in opposition to the amended class definition. On January 18, 2024, the court heard oral argument on the motions but issued no decision. The court instead requested additional briefing and a second oral argument, deadlines for which have not yet been set.

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

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main break, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,100 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and

damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits (the "first three lawsuits"), with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the first three lawsuits before a single judge in Kanawha County Circuit Court. That motion remains pending.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. These motions remain pending.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. These motions remain pending.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. As of January 31, 2024, a total of 412 Mountaineer Gas customers completed this claims process and were paid by WVAWC an average of approximately $1,500 each. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation. WVAWC is cooperating with its general investigation. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has meritorious defenses to such claims, and WVAWC is defending itself vigorously in these litigation proceedings.

Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above.

West Virginia Elk River Freedom Industries Chemical Spill

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

PFAS Multi-District Litigation

Several of the Company's utility subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit, which commenced on December 7, 2018, in U.S. District Court for the District of South Carolina, against manufacturers of certain PFAS for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. In August 2023, a potential class action settlement involving defendants The Chemours Company, Corteva, Inc. and DuPont de Nemours, Inc. to resolve claims brought in the MDL against them by public water systems, and a similar class action settlement with defendant 3M Company, received preliminary approval from the MDL court. The Company's utility subsidiaries have determined to remain parties to these class action settlements. On February 8, 2024, after a hearing on December 14, 2023, the MDL court issued its final approval of the DuPont settlement, and the Company will begin the process of perfecting its claims under this settlement within the time period to be provided by the MDL court. A fairness hearing on the 3M settlement was held on February 2, 2024. This matter remains pending.

Other Matters

In April 2021, American Water Resources, LLC ("AWR"), which, prior to the December 2021 sale of the Company's former Homeowner Services Group business ("HOS") was one of the indirect, wholly owned subsidiaries comprising that business, received a grand jury subpoena in connection with an investigation by the U.S. Attorney's Office for the Eastern District of New York (the "EDNY"). The subpoena sought documents regarding AWR's operations and its contractor network in the New York City metropolitan area. In September 2022, a former employee of AWR pled guilty in U.S. District Court to two felony counts in connection with the matters under investigation by the EDNY. The Company fully cooperated with the EDNY investigation. There are currently no pending requests from the EDNY for additional information and the Company has not been contacted by the EDNY about the investigation since July 2023. While the EDNY has not formally communicated that its investigation is complete, the Company does not believe that the investigation will have a material adverse effect on the Company's results of operations, financial condition or liquidity.

General

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 6, 2024, there were 194,755,320 shares of common stock outstanding held by approximately 2,101 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

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

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2023, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2023.

ITEM 6. [RESERVED]

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

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2022 compared to fiscal 2021, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company

employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.5 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within "Other." See Item 1—Business for additional information.

Selected Financial Data

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

	For the Years Ended December 31,				
(In millions, except per share data)	**2023**	**2022**	**2021**	**2020**	**2019**
Statement of Operations data:					
Operating revenues	$ 4,234	$ 3,792	$ 3,930	$ 3,777	$ 3,610
Net income attributable to common shareholders	944	820	1,263	709	621
Net income attributable to common shareholders per basic common share	4.90	4.51	6.96	3.91	3.44
Net income attributable to common shareholders per diluted common share	4.90	4.51	6.95	3.91	3.43
Balance Sheet data:					
Total assets	$30,298	$27,787	$26,075	$24,766	$22,682
Long-term debt and redeemable preferred stock at redemption value	11,718	10,929	10,344	9,333	8,644
Other data:					
Cash dividends declared per common share	$ 2.83	$ 2.62	$ 2.41	$ 2.20	$ 2.00
Net cash provided by operating activities	1,874	1,108	1,441	1,426	1,383
Net cash used in investing activities	(2,815)	(2,127)	(1,536)	(2,061)	(1,945)
Net cash provided by (used in) financing activities	1,188	1,000	(345)	1,120	494
Capital expenditures included in net cash used in investing activities	(2,575)	(2,297)	(1,764)	(1,822)	(1,654)

Financial Results

For the years ended December 31, 2023, 2022 and 2021, diluted earnings per share (GAAP) were $4.90, $4.51 and $6.95, respectively. In 2023, as compared to 2022, diluted earnings per share increased $0.39. The increase was primarily driven by the implementation of new rates in the Regulated Businesses for the return on and recovery of capital and acquisition investments, offset somewhat by increased operating costs, primarily production costs from inflationary pressures, and higher pension costs. Results for 2023 reflect the net favorable impact of warmer, drier weather compared to normal, estimated at $0.13 per share, while results for 2022 reflect the net favorable impact of weather compared to normal, estimated at $0.06 per share. Results for 2023 also reflect the impact of share dilution from the equity financing of $0.29 per share, roughly equivalent to avoided interest expense on the year.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the substantial majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, and (ii) regulated acquisitions to expand the Company's services to new customers. In 2023, the Company invested $2.7 billion, in the Regulated Businesses, as discussed below:

Regulated Businesses Growth and Optimization

- $2.6 billion capital investment in the Regulated Businesses, the substantial majority for infrastructure improvements and replacements; and
- $81 million to fund acquisitions, including deposits for pending acquisitions, in the Regulated Businesses, which added approximately 18,100 customers during 2023, in addition to approximately 18,800 customers added through organic growth during 2023. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement.

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater service for approximately 26,000 customer connections. The Company expects to close this acquisition in the first quarter of 2024.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the public wastewater collection and treatment system assets (the "System Assets") from the Butler Area Sewer Authority. On November 9, 2023, the Pennsylvania Public Utility Commission (the "PaPUC") approved a settlement agreement without modification with respect to the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Butler Area Sewer Authority for a purchase price of $230 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 15,000 customer connections. On December 14, 2023, Center Township and Summit Township filed appeals with the Pennsylvania Commonwealth Court seeking to reverse the order entered by the PaPUC approving the sale of the System Assets. On December 29, 2023, the Company's Pennsylvania subsidiary filed applications with the Commonwealth Court seeking to dismiss the appeals and requesting expedited consideration. By order dated February 1, 2024, the Commonwealth Court deferred deciding the application to dismiss the appeals and directed that the issues raised by the applications to dismiss are to be considered as part of the merits of the appeals. The order also granted expedited consideration and directed the case to be included on the next available list and established a briefing schedule. Based on the court's schedule, the Company estimates that the disposition of the appeals could occur as soon as the second quarter of 2024.

As of December 31, 2023, the Company had entered into 25 agreements with a total aggregate purchase price of $589 million for pending acquisitions in the Regulated Businesses, including the agreements discussed above, to add approximately 88,300 additional customers.

The Company expects to invest between $16 billion to $17 billion over the next five years, and between $34 billion to $38 billion over the next 10 years, including $3.1 billion in 2024. The Company's expected future investments include:

- capital investment for infrastructure improvements in the Regulated Businesses between $14.5 billion to $15 billion over the next five years, and between $30 billion to $33 billion over the next 10 years; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $4 billion to $5 billion over the next 10 years.

The Company estimates the expected capital investment for infrastructure improvements in its Regulated Businesses over the next ten years will be allocated to the following purposes: infrastructure renewal 68-70%, resiliency 9-11%, water quality, including capital expenditures for the EPA proposed regulations on PFAS 6-8%, operational efficiency, technology and innovation 5-7%, system expansion 4-6%, other 3-5%.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On March 14, 2023, the EPA announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six PFAS including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule in 2024 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFAS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses up to approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

Operational Excellence

The Company's adjusted regulated O&M efficiency ratio was 32.8% for the year ended December 31, 2023, compared to 33.7% for the year ended December 31, 2022. The ratio reflects an increase in operating revenues

for the Regulated Businesses, after considering the adjustment for the amortization of the excess accumulated deferred income taxes ("EADIT") shown in the table below, as well as the continued focus on operating costs.

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

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

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

	For the Years Ended December 31,		
(Dollars in millions)	**2023**	**2022**	**2021**
Total operation and maintenance expenses	$ 1,720	$ 1,589	$ 1,777
Less:			
Operation and maintenance expenses—Other	279	244	452
Total operation and maintenance expenses—Regulated Businesses	1,441	1,345	1,325
Less:			
Regulated purchased water expenses	161	154	153
Allocation of non-operation and maintenance expenses	25	31	34
Adjusted operation and maintenance expenses—Regulated Businesses (i)	$ 1,255	$ 1,160	$ 1,138
Total operating revenues	$ 4,234	$ 3,792	$ 3,930
Less:			
Operating revenues—Other	314	287	546
Total operating revenues—Regulated Businesses	3,920	3,505	3,384
Less:			
Regulated purchased water revenues (a)	161	154	153
Revenue reductions from the amortization of EADIT	(66)	(89)	(104)
Adjusted operating revenues—Regulated Businesses (ii)	$ 3,825	$ 3,440	$ 3,335
Adjusted O&M efficiency ratio—Regulated Businesses (i) / (ii)	32.8%	33.7%	34.1%

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

Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorized a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision was effective from the date of the order through the end of 2024. The decision included a Water Cost of Capital Mechanism (the "WCCM") that allows the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, the California subsidiary filed with the CPUC staff advice letters to increase the return on equity. On July 25, 2023, the CPUC staff approved a return on equity of 9.50%, effective July 31, 2023. On November 15, 2023, the CPUC staff approved a return on equity of 10.20%, effective January 1, 2024.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base was $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase was driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the PaPUC issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania subsidiary. The general rate case order approved a

$138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that were completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base was $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase was driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or were planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On January 25, 2024, the Company's Illinois subsidiary filed tariffs for new water and wastewater rates. The request seeks a two-step rate increase consisting of aggregate annualized incremental revenue, based on a proposed return on equity of 10.75%, of (i) approximately $136 million effective January 1, 2025, based on a future test year through December 31, 2025 with average rate base and a capital structure with an equity component of 52.27% and a debt component of 47.73%, and (ii) approximately $16 million effective January 1, 2026, based on a future test year to include end of period rate base and a capital structure with an equity component of 54.43% and a debt component of 45.57%. The requested increases are driven primarily by an estimated $557 million in capital investments to be made by the Illinois subsidiary starting January 2024 through December 2025. The request also proposes a treatment and compliance rider to address recovery of future environmental compliance investments, and a modification to the existing volume balancing account mechanism to include full production cost recovery.

On January 19, 2024, the Company's New Jersey subsidiary filed a general rate case requesting approximately $162 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 56.30% and a debt component of 43.70%. The requested annualized revenue increase is driven primarily by approximately $1.3 billion in capital investments made and to be made by the New Jersey subsidiary through December 2024. The request also proposes a revenue decoupling mechanism and seeks a deferral of certain production cost adjustments.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026.

On November 8, 2023, the Company's Pennsylvania subsidiary filed a general rate case requesting approximately $204 million in additional annualized revenues, excluding projected infrastructure surcharges of $20 million. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 55.30% and a debt component of 44.70%. The requested annualized incremental revenue increase

is driven primarily by an estimated $1.0 billion of incremental capital investments to be made through mid-2025. The request also proposes a mechanism to address compliance with evolving environmental requirements, such as emerging federal regulations for lead and PFAS. If approved, the new rates would be expected to take effect on August 7, 2024.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. The request is based on a proposed return on common equity of 10.75% and a proposed capital structure with a common equity component of 52.45%. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The request is based on a proposed return on equity of 10.50% and a capital structure with an equity component of 52.80%. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The requested adjustment is based on a proposed return on equity of 10.60% and a capital structure with an equity component of 56.20%. Hearings were completed in September and an order is expected in the general rate case by the end of February 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. On November 17, 2023, the California subsidiary filed with the CPUC a partial settlement agreement reached with the CPUC's Public Advocates Office, which would determine the amount of incremental annualized water and wastewater revenue to be received by the California subsidiary to be $20 million in the 2024 test year, $16 million in the 2025 escalation year, and $15 million in the 2026 attrition year. The partial settlement agreement addresses the California subsidiary's revenue requirement request but does not address rate design or certain other matters, such as the requested inclusion and implementation of a revenue stability mechanism to separate the California subsidiary's revenue and water sales. New rates would be implemented retroactively to January 1, 2024, upon a final decision issued by the CPUC approving the partial settlement agreement and resolving the other issues not addressed by the partial settlement agreement, which is expected to occur in mid-2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.
(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2024:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 20, 2024	$ 26
Illinois	January 1, 2024	5
Total infrastructure surcharge filings		$ 31

Pending Infrastructure Surcharge Filings

On January 31, 2024, the Company's Iowa subsidiary filed an infrastructure surcharge proceeding requesting $1 million in additional annualized revenues.

Other Regulatory Matters

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

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the decision remains pending. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

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

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 4,234	$ 3,792	$ 3,930
Operating expenses:			
Operation and maintenance	1,720	1,589	1,777
Depreciation and amortization	704	649	636
General taxes	307	281	321
Other	(1)	—	—
Total operating expenses, net	2,730	2,519	2,734
Operating income	1,504	1,273	1,196
Other income (expense):			
Interest expense	(460)	(433)	(403)
Interest Income	73	52	4
Non-operating benefit costs, net	32	77	78
Gain on sale of businesses	—	19	747
Other, net	47	20	18
Total other income (expense)	(308)	(265)	444
Income before income taxes	1,196	1,008	1,640
Provision for income taxes	252	188	377
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2022 compared to

fiscal 2021, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 15, 2023.

Sale of Homeowner Services Group

On December 9, 2021, the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration at closing was comprised of $480 million in cash, a secured seller promissory note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations. The Company recognized $50 million of interest income during the years ended December 31, 2023 and 2022, from the secured seller note.

On February 2, 2024, the secured seller note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants have been amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The $75 million additional principal under the secured seller note must be repaid in full, without premium or penalty, in the event a proposed acquisition of a complementary business by or on behalf of an affiliate of the Buyer is not completed by May 2, 2024. The repayment obligations of the Buyer under the seller note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

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

Regulated Businesses Segment

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

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 3,920	$ 3,505	$ 3,384
Operation and maintenance	1,441	1,345	1,325
Depreciation and amortization	693	633	601
General taxes	288	264	301
Other operating (income) expense	(1)	—	1
Other income (expense)	(269)	(220)	(195)
Provision for income taxes	259	188	172
Net income attributable to common shareholders	$ 971	$ 854	$ 789

Operating Revenues

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

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Water services:			
Residential	$ 2,143	$ 1,941	$ 1,935
Commercial	798	710	676
Fire service	158	147	151
Industrial	167	153	141
Public and other	284	267	239
Total water services	3,550	3,218	3,142
Wastewater services:			
Residential	228	174	151
Commercial	62	45	37
Industrial	8	4	4
Public and other	29	19	16
Total wastewater services	327	242	208
Other (a)	43	45	34
Total operating revenues	$ 3,920	$ 3,505	$ 3,384

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

	For the Years Ended December 31,		
	2023	2022	2021
(Gallons in millions)			
Billed water services volumes:			
Residential	160,921	162,105	173,644
Commercial	78,404	77,627	77,476
Industrial	36,404	37,265	35,738
Fire service, public and other	54,236	51,966	51,957
Total billed water services volumes	329,965	328,963	338,815

In 2023, as compared to 2022, operating revenues increased $415 million, primarily due to: (i) a $350 million increase from authorized rate increases, including infrastructure surcharges, principally to fund infrastructure investment in various states; (ii) a $32 million increase from water and wastewater acquisitions and organic growth in existing systems; (iii) a $19 million estimated net increase primarily due to drier than normal weather in 2023, mainly driven by drought conditions in our Missouri service territory; (iv) a $23 million net increase as a result of reduced amortization of EADIT, primarily in the Company's Pennsylvania subsidiary; and (v) partially offset by a $12 million decrease due to changes in customer demand.

Operation and Maintenance

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

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Employee-related costs	$ 513	$ 505	$ 522
Production costs	438	387	353
Operating supplies and services	255	242	245
Maintenance materials and supplies	102	96	93
Customer billing and accounting	65	59	66
Other	68	56	46
Total operation and maintenance expense	$ 1,441	$ 1,345	$ 1,325

Employee-Related Costs

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Salaries and wages	$ 413	$ 395	$ 402
Group insurance	60	59	66
Pensions	9	21	25
Other benefits	31	30	29
Total employee-related costs	$ 513	$ 505	$ 522

In 2023, as compared to 2022, employee-related costs increased $8 million primarily due to annual merit increases and higher employee headcount to support growth of the business, which was partially offset by lower pension service costs, mainly attributable to an increase in the discount rate assumption.

Production Costs

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Purchased water	$ 161	$ 154	$ 153
Fuel and power	108	104	97
Chemicals	105	78	59
Waste disposal	64	51	44
Total production costs	$ 438	$ 387	$ 353

In 2023, as compared to 2022, production costs increased $51 million, primarily due to inflationary impacts from increased fuel, power and chemical costs, as well as an increase in waste disposal maintenance.

Operating Supplies and Services

In 2023, as compared to 2022, operating supplies and services increased $13 million primarily due to an increase in maintenance costs on equipment and buildings.

Other

In 2023, as compared to 2022, other increased $12 million primarily due to an increase to the insurance other than group reserve which had an unfavorable claims experience compared to prior year, as well as higher insurance premiums.

Depreciation and Amortization

In 2023, as compared to 2022, depreciation and amortization increased $60 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2023, as compared to 2022, general taxes increased $24 million, primarily due to an increase in the New Jersey Gross Receipts Tax and incremental property taxes.

Other Income (Expense)

In 2023, as compared to 2022, other expenses increased $49 million primarily due to higher net periodic pension and other postretirement benefit costs in the current period as a result of market conditions, as well as higher interest expense from the issuance of incremental long-term debt. These increases were partially offset by an increase in allowance for funds used during construction in the current periods.

Provision for Income Taxes

In 2023, as compared to 2022, the Regulated Businesses' provision for income taxes increased $71 million. The Regulated Businesses' effective income tax rate was 21.1% and 18.0% for the years ended December 31, 2023 and 2022, respectively. The increase was primarily due to the decrease in the amortization of EADIT, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating revenues	$ 314	$ 287	$ 546
Operation and maintenance	279	244	452
Depreciation and amortization	11	16	35
General taxes	19	17	20
Interest expense	(96)	(119)	(113)
Interest income	45	50	3
Gain on sale of businesses	—	19	748
Other income	12	6	2
(Benefit from) provision for income taxes	(7)	—	205
Net (loss) income attributable to common shareholders	$ (27)	$ (34)	$ 474

Operating Revenues

In 2023, as compared to 2022, operating revenues increased $27 million from an increase in capital projects in MSG, primarily at the United States Military Academy at West Point, New York and revenue for Naval Station Mayport. The Naval Station Mayport contract was awarded on June 30, 2022, with the performance start date for operation on March 1, 2023.

Operation and Maintenance

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

	For the Years Ended December 31,		
	2023	2022	2021
(In millions)			
Operating supplies and services	$ 150	$ 120	$ 191
Maintenance materials and supplies	29	35	123
Employee-related costs	85	73	109
Production costs	9	10	7
Other	6	6	22
Total operation and maintenance expense	$ 279	$ 244	$ 452

Operating Supplies and Services

In 2023, as compared to 2022, operating supplies and services increased $30 million primarily due to costs associated with the increased capital projects in MSG.

Employee-Related Costs

In 2023, as compared to 2022, employee-related costs increased $12 million primarily due to salaries and wages and group insurance.

Gain on Sale of Businesses

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

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and available guidance and determined that it did not exceed the $1 billion AFSI threshold and therefore was not subject to CAMT in 2023. Based on current guidance, the Company is expected to be subject to CAMT beginning in 2024, and will continue to evaluate the impacts as additional guidance is released.

Legislative Updates

During 2023 and 2024, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 14, 2024:

- California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and was effective on January 1, 2023.
- Indiana passed House Bill 1417, which allows for deferred accounting and subsequent recovery through rates of regulatory assets, with or without Indiana Utility Regulatory Commission (the "IURC") approval. There are several requirements: (i) the costs must be deferred as a regulatory asset, (ii) only incremental costs may be deferred, and (iii) the IURC must find the costs to be reasonable and prudent. Legislation was signed by the Governor and became effective on April 20, 2023.
- Indiana passed Senate Bill 180, which allows for consolidated revenue to support post-acquisition capital improvements in wastewater systems via a service enhancement improvement recovery mechanism. Legislation was signed by the Governor and became effective on May 1, 2023.
- Illinois passed House Bill 1105, which provides that property belonging to a public utility that provides water or sewer service may not be taken or damaged by eminent domain without prior approval from the Illinois Commerce Commission. Legislation was signed by the Governor and became effective on June 9, 2023.
- Illinois passed Senate Bill 250 (Public Act 103-0006), which contains supplemental appropriations for the previous fiscal year 2023 and appropriations for fiscal year 2024. This bill contains a $5 million appropriation to the Department of Commerce and Economic Opportunity for purposes of grants pursuant to the Water and Sewer Financial Assistance Act (Public Act 102-262), which was an initiative of the Company's Illinois subsidiary during the 102nd General Assembly. Legislation was signed by the Governor on June 7, 2023, and the appropriation became effective July 1, 2023.
- California passed Senate Bill 122, which authorizes $300 million in additional funding for the California Water and Wastewater Arrearage Payment Program, and extends the eligibility date from March 2020 to June 2021, to March 2020 to December 2022. Legislation was signed and became effective on July 10, 2023.
- California passed Senate Bill 253, which requires any public or private company that does business in California and has over $1 billion in annual revenue to publicly disclose, beginning in 2026, scope 1, 2, and 3 greenhouse gas emissions released from their operations and supply chain.
- California passed Senate Bill 261, which requires companies doing business in California with greater than $500 million in annual revenues to prepare, beginning in 2026, biennial reports disclosing climate-related financial risk.
- New Jersey passed Assembly Bill 4791, establishing the "Resiliency and Environmental System Investment Charge Program," which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance such as existing and proposed requirements for PFAS, safety, and public health. Legislation was signed by the Governor and became effective on January 12, 2024.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on

investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of payments under a secured seller promissory note, plus interest. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sub-limit for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods, as to which one such extension request remains. As of December 31, 2023, AWCC had no outstanding borrowings and $75 million of outstanding letters of credit under its revolving credit facility, with $2.50 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

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

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes, and overall economic conditions. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

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

	For the Years Ended December 31,		
(In millions)	**2023**	**2022**	**2021**
Net income	$ 944	$ 820	$ 1,263
Add (less):			
Depreciation and amortization	704	649	636
Deferred income taxes and amortization of investment tax credits	208	80	230
Other non-cash activities (a)	(9)	(16)	(27)
Changes in working capital (b)	76	(355)	126
Pension and non-pension postretirement benefit contributions	(49)	(51)	(40)
Gain on sale of businesses	—	(19)	(747)
Net cash provided by operating activities	$ 1,874	$ 1,108	$ 1,441

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in working capital include changes to receivables and unbilled revenues, income tax receivable, accounts payable and accrued liabilities, accrued taxes and other current assets and liabilities, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

In 2023, cash flows provided by operating activities increased $766 million, primarily due to changes in deferred taxes, working capital and an increase in net income. The change in deferred taxes was driven by the settlement of the deferred tax liability in 2022 related to the Company's New York regulated operations that was sold in the first quarter of 2022. The changes in working capital were primarily driven by $280 million of estimated tax payments for taxable gains on the sales of the Company's Homeowner Services Group and its New York regulated operations in the first half of 2022.

The Company expects to make pension contributions to the plan trusts of $44 million in 2024. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

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

(In millions)	For the Years Ended December 31, 2023	2022	2021
Capital expenditures	$ (2,575)	$ (2,297)	$ (1,764)
Acquisitions, net of cash acquired	(81)	(315)	(135)
Proceeds from sale of assets, net of cash on hand	—	608	472
Removal costs from property, plant and equipment retirements, net	(159)	(123)	(109)
Net cash used in investing activities	$ (2,815)	$ (2,127)	$ (1,536)

In 2023, cash flows used in investing activities increased $688 million as a result of increased payments for capital expenditures, as well as no assets sales in 2023 whereas 2022 had $608 million of proceeds from the sale of the Company's New York operations. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

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

(In millions)	For the Years Ended December 31, 2023	2022	2021
Transmission and distribution	$ 922	$ 901	$ 749
Treatment and pumping	322	190	197
Services, meter and fire hydrants	652	546	366
General structure and equipment	333	380	251
Sources of supply	88	95	64
Wastewater	258	185	137
Total capital expenditures	$ 2,575	$ 2,297	$ 1,764

In 2023, the Company's capital expenditures increased $278 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2023, the Company paid $81 million to fund acquisitions, including deposits for pending acquisitions. The Company closed on 23 acquisitions of various regulated water and wastewater systems during 2023, which added approximately 18,100 water and wastewater customers.

As previously noted, over the next five years the Company expects to invest between $16 billion to $17 billion, with $14.5 billion to $15 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $34 billion to $38 billion over the next 10 years. In 2024, the Company expects to invest $3.1 billion, consisting of infrastructure improvements and acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

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

(In millions)	For the Years Ended December 31, 2023	2022	2021
Proceeds from long-term debt	$ 1,264	$ 822	$ 1,118
Repayments of long-term debt	(282)	(15)	(372)
(Repayments of) proceeds from term loan	—	—	(500)
Net proceeds from common stock financing	1,688	—	—
Net short-term (repayments) borrowings with maturities less than three months	(996)	591	(198)
Dividends paid	(532)	(467)	(428)
Other financing activities, net (a)	46	69	35
Net cash provided by (used in) financing activities	$ 1,188	$ 1,000	$ (345)

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

In 2023, cash flows provided by financing activities increased $188 million, primarily due to the common stock financing and issuance of long-term debt. This was partially offset by repayment in full of the short-term commercial paper obligations during the first half of 2023.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC and equity issuances from parent company. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2023, AWCC has made long-term fixed rate loans to the Regulated Businesses amounting to $7.6 billion. Additionally, as of December 31, 2023, AWCC has made long-term fixed rate loans to parent company amounting to $3.4 billion.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC, the wholly owned finance subsidiary of parent company, and for general corporate purposes.

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. See Note 11—Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

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

In November and December 2023, the Company entered into six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

During 2022 and the first half of 2023, the Company entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2023, 2022 or 2021.

In February 2021, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2024. During 2022 and 2021, $800 million, and $1.10 billion, respectively, of debt securities were issued under this registration statement. During 2023 under this registration statement, parent company issued 12,650,000 shares of its common stock for aggregate net proceeds of approximately $1,688 million.

Presented in the table below are the issuances of long-term debt in 2023:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	3.63%	3.63%	2026	$ 1,035
AWCC (a)	Private activity bonds and government funded debt—fixed rate	3.70%-3.88%	3.80%	2028	86
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.75%	2.88%	2025-2041	143
Total issuances					$ 1,264

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

Presented in the table below are the retirements and redemptions of long-term debt in 2023 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Senior notes—fixed rate	6.55%	6.55%	2023	$ 14
AWCC	Private activity bonds and government funded debt—fixed rate	0.60%-2.31%	0.68%	2023-2031	87
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.20%	2023-2051	163
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.76%-6.96%	6.84%	2023	18
Total retirements and redemptions					$ 282

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

Issuer and Guarantor of Senior Notes

Outstanding unsecured senior notes issued by AWCC (other than the Notes) have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The Notes were issued under an indenture, by and among AWCC, parent company and U.S. Bank Trust Company, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the Notes. The senior notes and the Notes have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. No other subsidiary of parent company provides guarantees for any of such indebtedness. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes or the Notes, parent company will provide to AWCC, at its request or the request of any holder thereof, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any such holder, when due, the support agreement provides that such holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

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

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and,

other than AWCC, have no obligation to make any payments on the senior notes or the Notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

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

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

	2023		
(In millions)	**Commercial Paper Limit**	**Letters of Credit**	**Total (a)**
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$ 2,495

(a) Total remaining availability of $2.50 billion as of December 31, 2023, was accessible through revolver draws.

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

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2023 and 2022:

(In millions)	**Cash and Cash Equivalents**	**Availability on Revolving Credit Facility**	**Total Available Liquidity**
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 5.51% and 4.41%, for the years ended December 31, 2023 and 2022, respectively.

Capital Structure

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

	2023	2022	2021
Total common shareholders' equity	44.2%	38.3%	39.9%
Long-term debt and redeemable preferred stock at redemption value	52.9%	54.4%	56.6%
Short-term debt and current portion of long-term debt	2.9%	7.3%	3.5%
Total	100%	100%	100%

The change in the capital structure mix in 2023 is mainly attributable to the common stock issuance on March 3, 2023, and the long-term debt issuance on June 29, 2023. The proceeds from these issuances were used to repay short-term commercial paper borrowings.

Debt Covenants

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

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2023, the Company's ratio was 0.56 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 14, 2024, as issued by Moody's Investors Service on January 29, 2024, and S&P Global Ratings on February 6, 2023:

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

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. The Company does not have any material borrowings that are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

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

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

Dividends and Regulatory Restrictions

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

Insurance Coverage

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

Critical Accounting Policies and Estimates

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

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable

to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2023, the Company concluded that the operations of its utilities met the criteria.

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

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

As of December 31, 2023 and 2022, the Company's regulatory asset balance was $1.1 billion and $1.0 billion, respectively, and its regulatory liability balance was $1.5 billion and $1.6 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

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

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

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize

deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

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

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2023 and 2022, are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

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

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.
- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.

- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 mortality base table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the new MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.18%, 5.58% and 2.94% at December 31, 2023, 2022 and 2021, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.22%, 5.60% and 2.90% at December 31, 2023, 2022 and 2021, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.79% for 2023, 6.50% for 2022 and 6.50% for 2021. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 5.00% for 2023, 3.60% for 2022 and 3.67% for 2021.

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

Asset Category	2024 Target Allocation	Percentage of Plan Assets as of December 31,	
		2023	2022
Equity securities	37%	41%	57%
Fixed income	63%	59%	43%
Total	100%	100%	100%

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

Asset Category	2024 Target Allocation (a)	Percentage of Plan Assets as of December 31,	
		2023	2022
Equity securities	27%	32%	30%
Fixed income	73%	68%	70%
Total	100%	100%	100%

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

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

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2023, 2022 and 2021.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2023, the Company's health care cost trend rate assumption used to calculate the periodic benefit cost was 7.00% in 2023 gradually declining to 5.00% in 2031 and thereafter. As of December 31, 2023, the Company projects that medical inflation will be 6.75% in 2024 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.18% and 6.79%, respectively, for estimating its 2024 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.22% and 5.00%, respectively, for estimating its 2024 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2023 pension and postretirement total net benefit credit was $6 million and the 2022 pension and postretirement total net benefit credit was $47 million. The Company expects to make pension contributions to the plan trusts of $44 million in 2024; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Benefit Plan Amendments

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, the American Water Pension Plan for Certain Inactive Participants ("AWPP Inactive"). Benefits offered to the plan participants remain unchanged. Actuarial gains and losses associated with AWPP Inactive are amortized over the average remaining life expectancy of the inactive participants. The actuarial gains and losses associated with the AWPP continued to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets to reflect the amendment for each plan as of December 31, 2022.

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

Revenue Recognition

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

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2023 and 2022 was $193 million and $178 million, respectively.

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

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues, with billings in excess of revenues recorded as other current liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2023 and 2022, was $109 million and $97 million, respectively.

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

Accounting for Contingencies

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

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

Recent Accounting Standards

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2023, a hypothetical increase of interest rates by 1% associated with the Company's short-term borrowings would result in a $3 million increase in short-term interest expense.

As of December 31, 2023, the Company had six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. When entering into treasury locks, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the treasury locks. The Company manages market risk by matching the terms of the treasury locks with the critical terms of the expected debt issuance. The fair value of the treasury locks at December 31, 2023, was in a loss position of $8 million. A hypothetical 1% adverse change in interest rates would result in a decrease in the fair value of the treasury locks to a loss position of approximately $26 million at December 31, 2023.

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

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

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

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense,

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Audited Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	96
Consolidated Balance Sheets as of December 31, 2023 and 2022	99
Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021	101
Consolidated Statements of Comprehensive Income for the years ended December 31, 2023, 2022 and 2021	102
Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021	103
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2023, 2022 and 2021	104
Notes to Consolidated Financial Statements	105

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

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

Critical Audit Matters

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

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,119 million and $1,482 million, respectively, as of December 31, 2023. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

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

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

and disclosure implications; and evaluating regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 14, 2024

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2023	December 31, 2022
ASSETS		
Property, plant and equipment	$ 32,189	$ 29,736
Accumulated depreciation	(6,751)	(6,513)
Property, plant and equipment, net	25,438	23,223
Current assets:		
Cash and cash equivalents	330	85
Restricted funds	34	32
Accounts receivable, net of allowance for uncollectible accounts of $51 and $60, respectively	339	334
Income tax receivable	86	114
Unbilled revenues	302	275
Materials and supplies	112	98
Other	186	312
Total current assets	1,389	1,250
Regulatory and other long-term assets:		
Regulatory assets	1,106	990
Seller promissory note from the sale of the Homeowner Services Group	720	720
Operating lease right-of-use assets	86	82
Goodwill	1,143	1,143
Other	416	379
Total regulatory and other long-term assets	3,471	3,314
Total assets	$ 30,298	$ 27,787

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,144,968 and 187,200,539 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,550	6,824
Retained earnings	1,659	1,267
Accumulated other comprehensive loss	(26)	(23)
Treasury stock, at cost (5,414,867 and 5,342,477 shares, respectively)	(388)	(377)
Total common shareholders' equity	9,797	7,693
Long-term debt	11,715	10,926
Redeemable preferred stock at redemption value	3	3
Total long-term debt	11,718	10,929
Total capitalization	21,515	18,622
Current liabilities:		
Short-term debt	179	1,175
Current portion of long-term debt	475	281
Accounts payable	294	254
Accrued liabilities	791	706
Accrued taxes	67	49
Accrued interest	93	91
Other	252	255
Total current liabilities	2,151	2,811
Regulatory and other long-term liabilities:		
Advances for construction	352	316
Deferred income taxes and investment tax credits	2,717	2,437
Regulatory liabilities	1,481	1,590
Operating lease liabilities	73	70
Accrued pension expense	262	235
Other	196	202
Total regulatory and other long-term liabilities	5,081	4,850
Contributions in aid of construction	1,551	1,504
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	$ 30,298	$ 27,787

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2023	2022	2021
Operating revenues	$4,234	$3,792	$3,930
Operating expenses:			
Operation and maintenance	1,720	1,589	1,777
Depreciation and amortization	704	649	636
General taxes	307	281	321
Other	(1)	—	—
Total operating expenses, net	2,730	2,519	2,734
Operating income	1,504	1,273	1,196
Other income (expense):			
Interest expense	(460)	(433)	(403)
Interest income	73	52	4
Non-operating benefit costs, net	32	77	78
Gain on sale of businesses	—	19	747
Other, net	47	20	18
Total other income (expense)	(308)	(265)	444
Income before income taxes	1,196	1,008	1,640
Provision for income taxes	252	188	377
Net income attributable to common shareholders	$ 944	$ 820	$1,263
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 4.90	$ 4.51	$ 6.96
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 4.90	$ 4.51	$ 6.95
Weighted average common shares outstanding:			
Basic	193	182	182
Diluted	193	182	182

(a) Amounts may not calculate due to rounding.

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2023	2022	2021
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $(2), $5 and $0 in 2023, 2022 and 2021, respectively	(3)	14	(1)
Defined benefit pension plan actuarial loss, net of tax of $0, $1 and $1 in 2023, 2022 and 2021, respectively	4	3	4
Unrealized gain (loss) on cash flow hedges, net of tax of $0, $1 and $1 in 2023, 2022 and 2021, respectively	(8)	5	1
Unrealized gain (loss) on available-for-sale fixed-income securities, net of tax of $0 in 2023, 2022 and 2021	4	—	—
Net other comprehensive income (loss)	(3)	22	4
Comprehensive income attributable to common shareholders	$ 941	$ 842	$ 1,267

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2023	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 944	$ 820	$ 1,263
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	704	649	636
Deferred income taxes and amortization of investment tax credits	208	80	230
Provision for losses on accounts receivable	24	24	37
Gain on sale of businesses	—	(19)	(747)
Pension and non-pension postretirement benefits	(6)	(47)	(41)
Other non-cash, net	(27)	7	(23)
Changes in assets and liabilities:			
Receivables and unbilled revenues	(56)	(114)	(74)
Income tax receivable	28	(110)	21
Pension and non-pension postretirement benefit contributions	(49)	(51)	(40)
Accounts payable and accrued liabilities	70	(8)	66
Accrued taxes	21	(118)	129
Other assets and liabilities, net	13	(5)	(16)
Net cash provided by operating activities	1,874	1,108	1,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,575)	(2,297)	(1,764)
Acquisitions, net of cash acquired	(81)	(315)	(135)
Proceeds from sale of assets, net of cash on hand	—	608	472
Removal costs from property, plant and equipment retirements, net	(159)	(123)	(109)
Net cash used in investing activities	(2,815)	(2,127)	(1,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	1,264	822	1,118
Repayments of long-term debt	(282)	(15)	(372)
(Repayments of) proceeds from term loan	—	—	(500)
Net proceeds from common stock financing	1,688	—	—
Net short-term (repayments) borrowings with maturities less than three months	(996)	591	(198)
Advances and contributions in aid of construction, net of refunds of $25, $19 and $25 in 2023, 2022 and 2021, respectively	60	74	62
Debt issuance costs and make-whole premium on early debt redemption	(16)	(7)	(26)
Dividends paid	(532)	(467)	(428)
Other, net	2	2	(1)
Net cash provided by (used in) financing activities	1,188	1,000	(345)
Net (decrease) increase in cash, cash equivalents and restricted funds	247	(19)	(440)
Cash, cash equivalents and restricted funds at beginning of period	117	136	576
Cash, cash equivalents and restricted funds at end of period	$ 364	$ 117	$ 136
Cash paid during the year for:			
Interest, net of capitalized amount	$ 445	$ 414	$ 389
Income taxes, net of refunds of $30, $2 and $6 in 2023, 2022 and 2021, respectively	$ —	$ 335	$ 1
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 399	$ 330	$ 292
Seller promissory note from the sale of the Homeowner Services Group	$ —	$ —	$ 720
Contingent cash payment from the sale of the Homeowner Services Group	$ —	$ —	$ 75

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

American Water Works Company, Inc. and Subsidiary Companies

Consolidated Statements of Changes in Shareholders' Equity

(In millions, except per share data)

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value				Shares	At Cost	
Balance as of December 31, 2020	186.5	$ 2	$ 6,747	$ 102	$ (49)	(5.2)	$ (348)	$ 6,454
Net income attributable to common shareholders	—	—	—	1,263	—	—	—	1,263
Common stock issuances (a)	0.4	—	34	—	—	(0.1)	(17)	17
Net other comprehensive income	—	—	—	—	4	—	—	4
Dividends ($2.41 declared per common share)	—	—	—	(440)	—	—	—	(440)
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends ($2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	944	—	—	—	944
Common stock issuances (a)	12.7	—	1,726	—	—	(0.1)	(11)	1,715
Net other comprehensive loss	—	—	—	—	(3)	—	—	(3)
Dividends ($2.83 declared per common share)	—	—	—	(552)	—	—	—	(552)
Balance as of December 31, 2023	200.1	$ 2	$ 8,550	$ 1,659	$ (26)	(5.5)	$ (388)	$ 9,797

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

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

American Water Works Company, Inc. and Subsidiary Companies

Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other."

Note 2: Significant Accounting Policies

Regulation

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

Use of Estimates

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

Principles of Consolidation

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

Property, Plant and Equipment

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

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

Nonutility property consists primarily of buildings and equipment utilized by the Military Services Group ("MSG") and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

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

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs, net of amortization, amounted to $419 million and $369 million as of December 31, 2023 and 2022, respectively.

Cash and Cash Equivalents, and Restricted Funds

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

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

Accounts Receivable and Unbilled Revenues

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

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for

uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

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

Seller Promissory Note

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

Leases

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

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

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

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

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

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

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

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

Impairment of Long-Lived Assets

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

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

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

Advances for Construction and Contributions in Aid of Construction

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

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2023 and 2022, on the Consolidated Balance Sheets are estimated refunds of $18 million and $19 million, respectively. These amounts represent expected refunds during the next 12-month period.

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

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions in aid of construction balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions in aid of construction, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $40 million, $37 million and $36 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Revenue Recognition

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

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

Regulated Businesses Revenue

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

Other Revenue

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

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

Income Taxes

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

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

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

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

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility

subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest, net on the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in other, net on the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2023	2022	2021
Allowance for other funds used during construction	$ 41	$ 20	$ 27
Allowance for borrowed funds used during construction	24	14	10

Derivative Financial Instruments

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

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

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

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

Pension and Other Postretirement Benefits

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

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

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2023:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	The guidance requires an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Accounting Standards Codification Topic 606, as if it had originated the contracts. The amendments in this update also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	January 1, 2023	Prospective	This standard did not have a material impact on the Consolidated Financial Statements
Troubled Debt Restructurings and Vintage Disclosures	The main provisions of this standard eliminate the receivables accounting guidance for troubled debt restructurings ("TDRs") by creditors while enhancing disclosure requirements when a borrower is experiencing financial difficulty. Entities must apply the loan refinancing and restructuring guidance for receivables to determine whether a modification results in a new loan or a continuation of an existing loan. Additionally, the amendments in this update require that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.	January 1, 2023	Prospective, with a modified retrospective option for amendments related to the recognition and measurement of TDRs.	This standard did not have a material impact on the Consolidated Financial Statements
Presentation and Disclosure Requirements	The guidance amends GAAP disclosure and presentation requirements for various subtopics in the Financial Accounting Standards Board Codification and was issued in response to the U.S. Securities and Exchange Commission's ("SEC") final rule published in August 2018 that updated and simplified disclosure requirements that it believed were outdated, superseded, overlapping, duplicative and redundant. The new guidance is intended to align GAAP requirements with those of the SEC for all entities.	The date on which the SEC's removal of the related disclosure requirement became effective	Prospective	This standard did not have a material impact on the Consolidated Financial Statements

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2023:

Standard	Description	Date of Adoption	Application	Estimated Effect on the Consolidated Financial Statements
Segment Reporting	The guidance in this standard expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Additionally, the guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss, provides new segment disclosure requirements for entities with a single reportable segment, and other disclosure requirements.	January 1, 2024, effective for fiscal year 2024 and interim periods within fiscal years beginning in 2025	Retrospective	The Company is evaluating the impact on its Consolidated Financial Statements.
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure requirements.	January 1, 2025	Prospective, with retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Reclassifications

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

Note 3: Regulatory Matters

General Rate Cases

Presented in the table below are annualized incremental revenues assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2023:

	Effective Date	Amount
General rate cases by state:		
Missouri	May 28, 2023	$ 44
Virginia	April 24, 2023 (a)	11
Pennsylvania	January 28, 2023	138
Illinois	January 1, 2023	67
California, Step Increase	January 1, 2023	13
Total general rate case authorizations		$ 273

(a) Interim rates were effective May 1, 2022, and the difference between interim and final approved rates were subject to refund. The Virginia State Corporation Commission issued its final Order on April 24, 2023.

On June 29, 2023, the California Public Utilities Commission ("CPUC") issued a decision on the cost of capital application for the Company's California subsidiary, which authorized a return on equity of 8.98% and a capital structure with an equity component of 57.04% for the three-year period from 2022 to 2024. The CPUC's decision was effective from the date of the order through the end of 2024. The decision included a Water Cost of Capital Mechanism (the "WCCM") that allows the California subsidiary to increase its return on equity for the remainder of 2023 and 2024 based on capital market rates. As authorized by the WCCM, the California subsidiary filed with the CPUC staff advice letters to increase the return on equity. On July 25, 2023, the CPUC staff approved a return on equity of 9.50%, effective July 31, 2023. On November 15, 2023, the CPUC staff approved a return on equity of 10.20%, effective January 1, 2024.

On May 3, 2023, the Missouri Public Service Commission issued an order approving the March 3, 2023, joint settlement agreement in the general rate case filed on July 1, 2022, by the Company's Missouri subsidiary. The general rate case order approved a $44 million annualized increase in water and wastewater revenues, excluding $51 million in previously approved infrastructure surcharges, and authorized implementation of the new water and wastewater rates effective May 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Missouri subsidiary's 2021 rate case order. The Missouri subsidiary's view of its rate base was $2.3 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 9.75% and 50.0%, respectively.

On April 24, 2023, the Virginia State Corporation Commission issued an order approving the settlement of the rate case filed on September 26, 2022, by the Company's Virginia subsidiary. The general rate case order approved an $11 million annualized increase in water and wastewater revenues. Interim rates in this proceeding were effective on May 1, 2022, and the order required that the difference between interim and the final approved rates were subject to refund within 90 days of the order issuance. The order approves the settlement terms with a return on equity of 9.7% and a common equity ratio of 40.7%. The annualized revenue increase was driven primarily by significant incremental capital investments since the Virginia subsidiary's 2020 rate case order that have been completed or were planned through April 30, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order includes recovery of the Virginia subsidiary's COVID-19 deferral balance. It also includes approval of the accounting deferral of deviations in pension and other postretirement benefits expense from those established in base rates, until the Virginia subsidiary's next base rate case.

On December 8, 2022, the Pennsylvania Public Utility Commission (the "PaPUC") issued an order approving the joint settlement agreement in the rate case filed on April 29, 2022, by the Company's Pennsylvania

subsidiary. The general rate case order approved a $138 million annualized increase in water and wastewater revenues, excluding $24 million for previously approved infrastructure filings, and authorizes implementation of the new water and wastewater rates effective January 28, 2023. The annualized revenue increase was driven primarily by significant incremental capital investments since the Pennsylvania subsidiary's 2021 rate case order that were completed through December 31, 2023, increases in pension and other postretirement benefits expense and increases in production costs, including chemicals, fuel and power costs. The general rate case order also includes recovery of the Pennsylvania subsidiary's COVID-19 deferral balance. The Pennsylvania subsidiary's view of its rate base was $5.1 billion, and its view as to its return on equity and long-term debt ratio (each of which is based on the general rate case order but was not disclosed therein) was 10.0% and 44.8%, respectively.

On December 15, 2022, the Illinois Commerce Commission issued an order approving the adjustment of base rates requested in a rate case filed on February 10, 2022, by the Company's Illinois subsidiary. As updated in the Illinois subsidiary's June 29, 2022 rebuttal filing, the request sought $83 million in additional annualized revenues, excluding previously recovered infrastructure surcharges. The general rate case order approved a $67 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $18 million, effective January 1, 2023, based on an authorized return on equity of 9.78%, authorized rate base of $1.64 billion, a common equity ratio of 49.0% and a debt ratio of 51.0%. The annualized revenue increase was driven primarily by significant water and wastewater system capital investments since the Illinois subsidiary's 2017 rate case order that have been completed or were planned through December 31, 2023, expected higher pension and other postretirement benefit costs, and increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On January 25, 2024, the Company's Illinois subsidiary filed tariffs for new water and wastewater rates. The request seeks a two-step rate increase consisting of aggregate annualized incremental revenue, based on a proposed return on equity of 10.75%, of (i) approximately $136 million effective January 1, 2025, based on a future test year through December 31, 2025 with average rate base and a capital structure with an equity component of 52.27% and a debt component of 47.73%, and (ii) approximately $16 million effective January 1, 2026, based on a future test year to include end of period rate base and a capital structure with an equity component of 54.43% and a debt component of 45.57%. The requested increases are driven primarily by an estimated $557 million in capital investments to be made by the Illinois subsidiary starting January 2024 through December 2025. The request also proposes a treatment and compliance rider to address recovery of future environmental compliance investments, and a modification to the existing volume balancing account mechanism to include full production cost recovery.

On January 19, 2024, the Company's New Jersey subsidiary filed a general rate case requesting approximately $162 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 56.30% and a debt component of 43.70%. The requested annualized revenue increase is driven primarily by approximately $1.3 billion in capital investments made and to be made by the New Jersey subsidiary through December 2024. The request also proposes a revenue decoupling mechanism and seeks a deferral of certain production cost adjustments.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026.

On November 8, 2023, the Company's Pennsylvania subsidiary filed a general rate case requesting approximately $204 million in additional annualized revenues, excluding projected infrastructure surcharges of $20 million. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 55.30% and a debt component of 44.70%. The requested annualized incremental revenue increase

is driven primarily by an estimated $1.0 billion of incremental capital investments to be made through mid-2025. The request also proposes a mechanism to address compliance with evolving environmental requirements, such as emerging federal regulations for lead and per-and polyfluoroalkyl substances. If approved, the new rates would be expected to take effect on August 7, 2024.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates will be effective May 1, 2024, with the difference between interim and final approved rates subject to refund.

On June 30, 2023, the Company's Kentucky subsidiary filed a general rate case requesting $26 million in additional annualized revenues, excluding infrastructure surcharges of $10 million. The request is based on a proposed return on common equity of 10.75% and a proposed capital structure with a common equity component of 52.45%. An order is expected in the general rate case by the end of the first quarter of 2024.

On May 1, 2023, the Company's West Virginia subsidiary filed a general rate case requesting $45 million in additional annualized revenues, excluding previously approved infrastructure surcharges of $7 million. The request is based on a proposed return on equity of 10.50% and a capital structure with an equity component of 52.80%. The general rate case includes a future test year capturing planned investment through 2025 and an order is expected to be issued by February 25, 2024. On June 30, 2023, the West Virginia subsidiary filed its annual infrastructure surcharge requesting $8 million in additional annualized revenues for planned investment through 2024. The infrastructure surcharge will be aligned with the investments recognized in the general rate case if the future test year is approved.

On March 31, 2023, the Company's Indiana subsidiary filed a general rate case requesting $87 million in additional annualized revenues, excluding $41 million of revenue from infrastructure filings already approved, which includes three step increases, with $43 million of the increase to be included in rates in January 2024, $18 million in May 2024, and $26 million in May 2025. The requested adjustment is based on a proposed return on equity of 10.60% and a capital structure with an equity component of 56.20%. Hearings were completed in September and an order is expected in the general rate case by the end of February 2024.

On July 1, 2022, the Company's California subsidiary filed a general rate case requesting an increase in 2024 revenue of $56 million and a total increase in revenue over the 2024 to 2026 period of $95 million, all as compared to 2022 revenues. The Company updated its filing in January 2023 to capture the authorized step increase effective January 1, 2023. The filing was also updated to incorporate a decoupling proposal and a revision to the Company's sales and associated variable expense forecast. The revised filing requested additional annualized revenues for the test year 2024 of $37 million, compared to 2023 revenues. This excludes the proposed step rate and attrition rate increase for 2025 and 2026 of $20 million and $19 million, respectively. The total revenue requirement request for the three-year rate case cycle, incorporating updates to present rate revenues and forecasted demand, is $76 million. On November 17, 2023, the California subsidiary filed with the CPUC a partial settlement agreement reached with the CPUC's Public Advocates Office, which would determine the amount of incremental annualized water and wastewater revenue to be received by the California subsidiary to be $20 million in the 2024 test year, $16 million in the 2025 escalation year, and $15 million in the 2026 attrition year. The partial settlement agreement addresses the California subsidiary's revenue requirement request but does not address rate design or certain other matters, such as the requested inclusion and implementation of a revenue stability mechanism to separate the California subsidiary's revenue and water sales. New rates would be implemented retroactively to January 1, 2024, upon a final decision issued by the CPUC approving the partial settlement agreement and resolving the other issues not addressed by the partial settlement agreement, which is expected to occur in mid-2024.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2023:

	Effective Date	Amount
Infrastructure surcharges by state:		
New Jersey	(a)	$ 32
Kentucky	October 1, 2023	4
Indiana	(b)	26
Missouri	January 16, 2023	14
Pennsylvania	January 1, 2023	3
West Virginia	January 1, 2023	7
Total infrastructure surcharge authorizations		$ 86

(a) In 2023, $15 million was effective October 30, $1 million was effective June 29 and $16 million was effective April 29.
(b) In 2023, $20 million was effective March 23 and $6 million was effective March 8.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2024:

	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	January 20, 2024	$ 26
Illinois	January 1, 2024	5
Total infrastructure surcharge filings		$ 31

Pending Infrastructure Surcharge Filings

On January 31, 2024, the Company's Iowa subsidiary filed an infrastructure surcharge proceeding requesting $1 million in additional annualized revenues.

Other Regulatory Matters

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

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the New Jersey Board of Public Utilities ("NJBPU") that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. The Company's New Jersey subsidiary filed its brief in support of the appeal on March 4, 2022. Response and Reply briefs were filed on June 22, 2022, and August 4, 2022, respectively. Oral argument was held on March 22, 2023, and the decision remains pending. There is no financial impact to the Company as a result of the NJBPU's order, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2023, earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2023	2022
Deferred pension expense	$ 308	$ 251
Removal costs recoverable through rates	322	307
Unamortized debt expense	82	76
Regulatory balancing accounts	81	87
Other	313	269
Total regulatory assets	$ 1,106	$ 990

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $300 million and $251 million as of December 31, 2023 and 2022, respectively. The remaining portion is the pension expense in excess of authorized amounts which is deferred by certain subsidiaries and will be recovered in future service rates.

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

Unamortized debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

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

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

The Company has current regulatory assets of $13 million and $40 million included in other current assets on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

Regulatory Liabilities

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

	2023	2022
Income taxes recovered through rates	$ 1,064	$ 1,127
Removal costs recovered through rates	254	275
Postretirement benefit liability	85	100
Other	78	88
Total regulatory liabilities	$ 1,481	$ 1,590

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

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

Postretirement benefit liability includes a portion of the over-funded status that is probable of refund through rates in future periods. The remaining portion represents prior service credits resulting from announced plan amendments which changed benefits for certain union and non-union plan participants.

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

The Company has current regulatory liabilities of $1 million and $5 million included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 2,143	$ —	$ 2,143
Commercial	798	—	798
Fire service	158	—	158
Industrial	167	—	167
Public and other	274	—	274
Total water services	3,540	—	3,540
Wastewater services:			
Residential	228	—	228
Commercial	62	—	62
Industrial	8	—	8
Public and other	29	—	29
Total wastewater services	327	—	327
Miscellaneous utility charges	35	—	35
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	3,902	18	3,920
Other	315	(1)	314
Total operating revenues	$ 4,217	$ 17	$ 4,234

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

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

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

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

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

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

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

Contract Balances

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

Contract assets of $95 million, $86 million and $71 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2023, 2022 and 2021, respectively. There were $87 million of contract assets added during 2023, and $78 million of contract assets were transferred to accounts receivable during 2023. There were $161 million of contract assets added during 2022, and $146 million of contract assets were transferred to accounts receivable during 2022.

Contract liabilities of $63 million, $91 million and $19 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2023, 2022 and 2021, respectively. There were $103 million of contract liabilities added during 2023, and $131 million of contract liabilities were recognized as revenue during 2023. There were $189 million of contract liabilities added during 2022, and $117 million of contract liabilities were recognized as revenue during 2022.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2023, the Company's O&M and capital improvement contracts in MSG and the Contract Services Group have RPOs. Contracts with the U.S. government for work on military installations expire between 2051 and 2073 and have RPOs of $7.2 billion as of December 31, 2023, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $612 million as of December 31, 2023, as measured by estimated remaining contract revenue. Some of the Company's long-term contracts to operate and maintain the federal government's, a municipality's or other party's water or wastewater treatment and delivery facilities include responsibility for certain maintenance for some of those facilities, in exchange for an annual fee. Unless specifically required to perform certain maintenance activities, the maintenance costs are recognized when the maintenance is performed.

Note 5: Acquisitions and Divestitures

Regulated Businesses

Closed Acquisitions

During 2023, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $77 million, which added approximately 18,100 water and wastewater customers. Assets acquired from these acquisitions, principally utility plant, totaled $81 million and liabilities assumed totaled $4 million. This includes the Company's New Jersey subsidiary's acquisition of the water and wastewater assets of Egg Harbor City on June 1, 2023, for a cash purchase price of $22 million, $2 million of which was funded as a deposit to the seller in March 2021 in connection with the execution of the acquisition agreement. Five of these acquisitions were accounted for as business combinations and the assets acquired consisted primarily of utility plant. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their acquisition date.

During 2022, the Company closed on 26 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $335 million, of which $315 million was funded in 2022, including the acquisition of the City of York wastewater system assets noted below. Assets acquired from these acquisitions, principally utility plant, totaled $337 million and liabilities assumed totaled $6 million. Several of these acquisitions were accounted for as business combinations.

On May 27, 2022, the Company's Pennsylvania subsidiary acquired the public wastewater collection and treatment system assets from the York City Sewer Authority and the City of York for a purchase price of $235 million, in cash, $20 million of which was funded as a deposit to the seller in April 2021 in connection with the execution of the acquisition agreement. The system assets serve, directly and indirectly through bulk contracts, more than 45,000 customers. The acquisition was accounted for as a business combination. The purchase price allocation consisted primarily of $231 million of utility plant and $4 million of goodwill, which is reported in the Company's Regulated Businesses segment.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2023, 2022 and 2021.

Pending Acquisitions

On April 6, 2023, the Company's Illinois subsidiary entered into an agreement to acquire the wastewater treatment plant from Granite City for an amended purchase price of $86 million. This plant provides wastewater

service for approximately 26,000 customer connections. The Company expects to close this acquisition in the first quarter of 2024.

Effective March 24, 2023, the Company's Pennsylvania subsidiary acquired the rights to buy the wastewater system assets of the Township of Towamencin, for an aggregate purchase price of $104 million, subject to adjustment as provided in the asset purchase agreement. This system provides wastewater services to approximately 6,300 customer connections in seven townships in Montgomery County, Pennsylvania. The Company expects to close this acquisition in late 2024 or early 2025, pending final regulatory approval.

On October 11, 2022, the Company's Pennsylvania subsidiary entered into an agreement to acquire the public wastewater collection and treatment system assets (the "System Assets") from the Butler Area Sewer Authority. On November 9, 2023, the PaPUC approved a settlement agreement without modification with respect to the Company's Pennsylvania subsidiary's application to acquire the System Assets from the Butler Area Sewer Authority for a purchase price of $230 million, subject to adjustment as provided for in the asset purchase agreement. This system provides wastewater service for approximately 15,000 customer connections. On December 14, 2023, Center Township and Summit Township filed appeals with the Pennsylvania Commonwealth Court seeking to reverse the order entered by the PaPUC approving the sale of the System Assets. On December 29, 2023, the Company's Pennsylvania subsidiary filed applications with the Commonwealth Court seeking to dismiss the appeals and requesting expedited consideration. By order dated February 1, 2024, the Commonwealth Court deferred deciding the application to dismiss the appeals and directed that the issues raised by the applications to dismiss are to be considered as part of the merits of the appeals. The order also granted expedited consideration and directed the case to be included on the next available list and established a briefing schedule. Based on the court's schedule, the Company estimates that the disposition of the appeals could occur as soon as the second quarter of 2024.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York.

Sale of Michigan American Water Company

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

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion, resulting in pre-tax gain of $748 million. The consideration at closing was comprised of $480 million in cash, a secured seller promissory note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023. For the year ended December 31, 2022, the Company recorded post-closing adjustments, primarily related to working capital, of pre-tax income of $20 million, which is included in Gain on sale of businesses on the Consolidated Statements of Operations. The Company recognized $50 million of interest income during the years ended December 31, 2023 and 2022, from the secured seller note.

On February 2, 2024, the secured seller note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the

HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants have been amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The $75 million additional principal under the secured seller note must be repaid in full, without premium or penalty, in the event a proposed acquisition of a complementary business by or on behalf of an affiliate of the Buyer is not completed by May 2, 2024. The repayment obligations of the Buyer under the seller note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

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

Note 6: Property, Plant and Equipment

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

	2023	2022	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 293	$ 239		
Sources of supply	1,081	1,003	10 to 127 years	46 years
Treatment and pumping facilities	4,594	4,298	3 to 101 years	39 years
Transmission and distribution facilities	13,900	12,971	6 to 128 years	68 years
Services, meters and fire hydrants	5,696	5,162	5 to 90 years	32 years
General structures and equipment	2,512	2,289	1 to 109 years	16 years
Waste collection	1,719	1,539	5 to 113 years	57 years
Waste treatment, pumping and disposal	1,191	1,129	2 to 153 years	37 years
Construction work in progress	1,040	974		
Other plant	24	23		
Total utility plant	32,050	29,627		
Nonutility property	139	109	3 to 50 years	12 years
Total property, plant and equipment	$32,189	$29,736		

Property, plant and equipment depreciation expense amounted to $617 million, $552 million and $550 million for the years ended December 31, 2023, 2022 and 2021, respectively and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.68%, 2.60% and 2.77% for the years ended December 31, 2023, 2022 and 2021, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $399 million and $330 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022, respectively.

In connection with the Company's capital investment in its corporate headquarters in Camden, New Jersey, the New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits over a 10-year period.

The Company is required to meet various annual requirements, including the maintenance of qualified full-time positions at the qualified business facility, in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

In December 2022 and March 2023, the NJEDA issued the utilization certificates for the 2019 and 2020 tax credits, respectively, to the Company in the amount of $16 million each. The Company sold these tax credits to external parties for $15 million each. The loss on the sales of the tax credits was recorded to Other income (expense) in the Consolidated Statements of Operations for the years ended December 31, 2023 and 2022. As of December 31, 2023 and 2022, the Company had assets of $32 million and $48 million, respectively, in other current assets and $90 million and $97 million, respectively, in other long-term assets on the Consolidated Balance Sheets as a result of these tax credits. In 2023, the Company reduced net realizable value of the future tax credit receivable by approximately $7 million as the Company does not expect it will be eligible for the full amount of the tax credit resulting from lower than required eligible headcount in the future. In January 2024, the NJEDA issued the utilization certificate for the 2021 tax credit to the Company in the amount of $16 million. The Company sold this tax credit to an external party for $15 million. The loss on the sale of the tax credit will be recorded to Other income (expense) in the Consolidated Statements of Operations for the year ended December 31, 2024. The Company has made the necessary annual filing for the year ended December 31, 2022, and expects to make the 2023 filing in April 2024, prior to the required filing deadline. The submitted filing is under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the credits in 2024.

Note 7: Allowance for Uncollectible Accounts

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

	2023	2022	2021
Balance as of January 1	$ (60)	$ (75)	$ (60)
Amounts charged to expense	(24)	(24)	(37)
Amounts written off	28	27	35
Other, net (a)	5	12	(13)
Balance as of December 31	$ (51)	$ (60)	$ (75)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity. The 2021 activity also includes the portion of the allowance related to the Company's New York subsidiary, which was sold on January 1, 2022. See Note 5—Acquisitions and Divestitures for additional information.

Note 8: Goodwill

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2023 and 2022:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2022	$3,466	$ (2,332)	$113	$ (108)	$3,579	$ (2,440)	$ 1,139
Goodwill from acquisitions	4	—	—	—	4	—	4
Balance as of December 31, 2022	$3,470	$ (2,332)	$113	$ (108)	$3,583	$ (2,440)	$ 1,143
Goodwill from acquisitions	—	—	—	—	—	—	—
Balance as of December 31, 2023	$3,470	$ (2,332)	$113	$ (108)	$3,583	$ (2,440)	$ 1,143

The Company completed its annual impairment testing of goodwill as of November 30, 2023, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2023.

In 2023, there were no additions or impairments to the Company's goodwill.

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

Note 9: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, and for general corporate purposes.

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2023, there were approximately 4.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to

time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2023 and 2022. As of December 31, 2023, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2023 and 2022:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Loss
Beginning balance as of January 1, 2022	$ (107)	$ 1	$ 67	$ (6)	$ —	$ (45)
Other comprehensive income (loss) before reclassification	14	—	—	5	—	19
Amounts reclassified from accumulated other comprehensive loss	—	—	3	—	—	3
Net other comprehensive income (loss)	14	—	3	5	—	22
Ending balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ —	$ (23)
Other comprehensive income (loss) before reclassification	(3)	—	—	(8)	4	(7)
Amounts reclassified from accumulated other comprehensive loss	—	—	4	—	—	4
Net other comprehensive income (loss)	(3)	—	4	(8)	4	(3)
Ending balance as of December 31, 2023	$ (96)	$ 1	$ 74	$ (9)	$ 4	$ (26)

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

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

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash

flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

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

During 2023, 2022 and 2021, the Company paid $532 million, $467 million and $428 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2023	2022	2021
December	$0.7075	$0.6550	$0.6025
September	$0.7075	$0.6550	$0.6025
June	$0.7075	$0.6550	$0.6025
March	$0.6550	$0.6025	$0.5500

On December 6, 2023, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7075 per share payable on March 1, 2024, to shareholders of record as of February 8, 2024.

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

Regulatory Restrictions on Indebtedness

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

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part

of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2023, 6.1 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2023, 2022 and 2021 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2023, 2022 and 2021. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2023	2022	2021
RSUs and PSUs	$ 23	$ 26	$ 15
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	25	28	17
Income tax benefit	(6)	(6)	(4)
Stock-based compensation expense, net of tax	$ 19	$ 22	$ 13

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2023, 2022 and 2021.

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

Stock Units

During 2023, 2022 and 2021, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2023, 2022 and 2021, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant; however, distribution of the shares will be

made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2023:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2022	51	$ 130.43
Granted	59	148.93
Vested	(42)	148.17
Forfeited	(4)	149.85
Non-vested total as of December 31, 2023	64	$ 134.61

As of December 31, 2023, $6 million of total unrecognized compensation cost related to the nonvested RSUs is expected to be recognized over the weighted average remaining life of 1.55 years. The total fair value of stock units and RSUs vested was $6 million, $6 million and $9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

During 2023, 2022 and 2021, the Company granted PSUs to certain employees under the 2017 Omnibus Plan. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the "Performance Period"). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2023:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2022	231	$ 142.92
Granted	173	159.42
Vested	(149)	161.25
Forfeited	(10)	146.78
Non-vested total as of December 31, 2023	245	$ 143.26

As of December 31, 2023, $9 million of total unrecognized compensation cost related to the nonvested PSUs is expected to be recognized over the weighted average remaining life of 0.84 years. The total fair value of PSUs vested was $31 million, $24 million and $22 million for the years ended December 31, 2023, 2022 and 2021, respectively.

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

	2023	2022	2021
Expected volatility	25.45%	29.69%	28.59%
Risk-free interest rate	4.31%	1.90%	0.22%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$168.00	$99.23	$229.22

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

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2023, there were 1.5 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2023, 2022 and 2021, the Company issued approximately 87,000, 82,000 and 80,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

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

	Rate	Weighted Average Rate	Maturity	2023	2022
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	3.85%	2024-2051	$ 10,786	$ 9,765
Private activity bonds and government funded debt—fixed rate	1.79%-3.88%	3.07%	2024-2031	188	189
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	2.15%	2024-2051	729	749
Mortgage bonds—fixed rate	6.35%-9.19%	7.38%	2024-2039	516	534
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2036	3	3
Long-term debt		3.89%		12,222	11,240
Unamortized debt discount, net (b)				(11)	(11)
Unamortized debt issuance costs				(18)	(19)
Less current portion of long-term debt				(475)	(281)
Total long-term debt				$ 11,718	$ 10,929

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

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

All mortgage bonds and $720 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2023.

Long-term debt agreements contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note covenants require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined in the relevant documents) of not more than 0.70 to 1.00. The ratio as of December 31, 2023, was 0.56 to 1.00. In addition, the Company has $830 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 2.51%.

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

	Amount
2024	$ 475
2025	619
2026	1,478
2027	700
2028	868
Thereafter	8,082

Presented in the table below are the issuances of long-term debt in 2023:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	3.63%	3.63%	2026	$ 1,035
AWCC	Private activity bonds and government funded debt—fixed rate	3.70%-3.88%	3.80%	2028	86
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-3.75%	2.88%	2025-2041	143
Total issuances					$ 1,264

The Company incurred debt issuance costs of $16 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2023 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	6.55%	6.55%	2023	$ 14
AWCC	Private activity bonds and government funded debt—fixed rate	0.60%-2.31%	0.68%	2023-2031	87
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.20%	2023-2051	163
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.76%-6.96%	6.84%	2023	18
Total retirements and redemptions					$ 282

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. The Notes are senior unsecured obligations of AWCC and have the benefit of a support agreement from parent company, which serves as the functional equivalent of a guarantee by parent company of the obligations of AWCC under the Notes. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased.

The Notes are exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the "Note Indenture"). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes are exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (1) pay cash up to the aggregate principal amount of the Notes and (2) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC's exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

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

In November and December 2023, the Company entered into six treasury lock agreements, each with a term of 10 years, with notional amounts totaling $225 million, to reduce interest rate exposure on debt expected to be issued in 2024. These treasury lock agreements terminate in September 2024, and have an average fixed rate of 4.24%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. Upon termination, the cumulative gain or loss recorded in accumulated other comprehensive gain or loss will be amortized through interest, net over the term of the new debt.

During 2022 and the first half of 2023, the Company entered into 11 treasury lock agreements, each with a term of 10 years, with notional amounts totaling $300 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In June 2023, the Company terminated the treasury lock agreements realizing a net gain of $3 million included in Other, net in the accompanying Consolidated Statements of Operations.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2023, 2022 or 2021.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, commercial paper markets and, if and to the extent necessary, borrowings under the AWCC revolving credit facility, and, in the future, issuances of equity. AWCC maintains an unsecured revolving credit facility which provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. On October 26, 2023, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2027 to October 2028. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million and to request extensions of its expiration date for up to two one-year periods, as to which one such extension request remains. As of December 31, 2023, AWCC had no outstanding borrowings and $75 million of outstanding letters of credit under the revolving credit facility, with $2.50 billion available to fulfill the Company's short-term liquidity needs and to issue letters of credit. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody Investors Service's and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

Short-term debt consists of commercial paper and credit facility borrowings totaling $180 million and $1,177 million as of December 31, 2023 and 2022, respectively, or net of discount $179 million and $1,175 million as of December 31, 2023 and 2022, respectively. The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 5.51% and 4.41%, for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, there were no commercial paper borrowings outstanding with maturities greater than three months.

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

	2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$2,495

(a) Total remaining availability of $2.50 billion as of December 31, 2023, was accessible through revolver draws.

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

(a) Total remaining availability of $1.50 billion as of December 31, 2022, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2023 and 2022, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825
Available liquidity as of December 31, 2022	$ 85	$ 1,495	$ 1,580

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2023	2022
Average borrowings	$ 288	$ 505
Maximum borrowings outstanding	1,570	1,177
Weighted average interest rates, as of December 31	5.51%	4.41%

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2023, was 0.56 to 1.00.

The Company does not have any material borrowings that are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2023	2022	2021
Property and capital stock	$ 119	$ 108	$ 149
Gross receipts and franchise	134	124	121
Payroll	38	36	39
Other general	16	13	12
Total general taxes	$ 307	$ 281	$ 321

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2023	2022	2021
Current income taxes:			
State	$ 16	$ 26	$ 72
Federal	28	82	75
Total current income taxes	$ 44	$ 108	$ 147
Deferred income taxes:			
State	$ 44	$ 24	$ 10
Federal	165	57	221
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	208	80	230
Provision for income taxes	$ 252	$ 188	$ 377

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2023	2022	2021
Income tax at statutory rate	21.0%	21.0%	21.0%
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.0%	4.1%	3.9%
EADIT	(4.2)%	(6.5)%	(3.6)%
Tax impact due to the sale of HOS	—%	—%	1.6%
Other, net	0.3%	0.1%	0.1%
Effective tax rate	21.1%	18.7%	23.0%

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2023	2022
Deferred tax assets:		
Advances and contributions	$ 478	$ 351
Tax losses and credits	17	19
Regulatory income tax assets	191	203
Pension and other postretirement benefits	75	64
Other	172	140
Total deferred tax assets	933	777
Valuation allowance	(11)	(11)
Total deferred tax assets, net of allowance	$ 922	$ 766
Deferred tax liabilities:		
Property, plant and equipment	$ 3,269	$ 2,872
Deferred pension and other postretirement benefits	84	64
Other	268	249
Total deferred tax liabilities	3,621	3,185
Total deferred tax liabilities, net of deferred tax assets	$ (2,699)	$ (2,419)

As of December 31, 2023 and 2022, the Company had state net operating loss ("NOL") carryforwards of $238 million and $240 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2024 through 2043.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for taxable years ended December 31, 2018 and prior.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2022	$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	$ 158
Increases in current period tax positions	27
Decreases in prior period measurement of tax positions	(37)
Balance as of December 31, 2023	$ 148

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company does not anticipate material changes to its unrecognized tax benefits within the next year.

If the Company sustains all of its positions as of December 31, 2023, an unrecognized tax benefit of $9 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2023 and 2022.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2021	$ 19
Decreases in current period tax positions	(9)
Balance as of December 31, 2021	$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	$ 11
Increases in current period tax positions	—
Balance as of December 31, 2023	$ 11

Other Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a Corporate Alternative Minimum Tax ("CAMT") provision, effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1 billion. An applicable corporation must make several adjustments to net income when determining AFSI. During 2023, the Company evaluated the potential impacts of the CAMT provision within the IRA and available guidance and determined that it did not exceed the $1 billion AFSI threshold and therefore was not subject to CAMT in 2023.

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

In December 2022, the Company amended the American Water Pension Plan ("AWPP"), a tax-qualified defined benefit pension plan, to restructure it as of December 31, 2022. The restructuring involved the spin-off of certain inactive participants from the existing AWPP into a separate tax-qualified defined benefit pension plan, AWPP Inactive. Benefits offered to the plan participants remain unchanged. As a result of the amendment, actuarial gains and losses associated with AWPP Inactive are amortized over the average remaining life expectancy of the inactive participants. The actuarial gains and losses associated with the AWPP will continue to be amortized over the average remaining service period for active participants. The Company remeasured the pension plan obligation and assets to reflect the amendment for each plan as of December 31, 2022.

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in pension or other postretirement benefit plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2023, the fair values and asset allocations of the pension plan assets include the AWPP and AWPP Inactive.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2023 and 2022, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Cash	$ 56	$ 56	$ —	$ —	$ —	4%
Equity securities:						
U.S. large cap	134	23	—	—	111	9%
U.S. small cap	37	37	—	—	—	3%
International	235	—	—	—	235	16%
Real estate fund	132	—	—	—	132	9%
REITs	6	—	—	—	6	—%
Fixed income securities:						
U.S. Treasury securities and government bonds	234	171	2	—	61	16%
Corporate bonds	531	—	531	—	—	38%
Mortgage-backed securities	8	—	8	—	—	1%
Municipal bonds	23	—	23	—	—	2%
Long duration bond fund	3	—	—	—	3	—%
Guarantee annuity contracts	32	—	—	32	—	2%
Total	$ 1,431	$ 287	$ 564	$ 32	$ 548	100%

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient (b)	Percentage of Plan Assets as of December 31, 2022
Cash	$ 36	$ 36	$ —	$ —	$ —	3%
Equity securities:						
U.S. large cap	142	2	—	—	140	10%
U.S. small cap	79	79	—	—	—	6%
International	386	2	—	—	384	27%
Real estate fund	154	—	—	—	154	11%
REITs	6	—	—	—	6	—%
Fixed income securities:						
U.S. Treasury securities and government bonds	126	119	7	—	—	9%
Corporate bonds	418	—	418	—	—	30%
Mortgage-backed securities	8	—	8	—	—	1%
Municipal bonds	21	—	21	—	—	1%
Long duration bond fund	3	—	—	—	3	—%
Guarantee annuity contracts	34	—	—	34	—	2%
Total	$ 1,413	$ 238	$ 454	$ 34	$ 687	100%

(a) There were no material changes during the period for the fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2023 and 2022, respectively.

(b) The classification of certain assets previously presented as Level 1, 2 and 3 of $140 million, $273 million and $274 million, respectively, as of December 31, 2022, have been adjusted and are now presented as investments for which Net Asset Value ("NAV') is used as a practical expedient to approximate fair value in accordance with ASU 2015-07 "Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)".

The Company's 2024 target pension plan asset allocation is 37% equity securities and 63% fixed income securities. The Company's 2023 target pension plan asset allocation was 37% equity securities and 63% fixed income securities.

Other Postretirement Benefit Plan Assets

The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns.

In December 2022, the Company completed plan amendments to spin-off and merge a portion of the American Water Retiree Welfare Plan ("Retiree Welfare Plan"), with and into the Company's medical plan for active employees ("Active Medical Plan"), in order to repurpose the over-funded portion of the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust. Benefits offered to the plan participants remain unchanged. As a result of these changes, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of Active Medical Plan participants ("Active VEBA"). The transfer of these Bargained VEBA investment assets

into the Active VEBA permitted access to approximately $194 million of assets for purposes of paying active union employee medical benefits. The Company recorded the transfer of assets as a negative contribution and therefore did not record a gain or loss, as permitted by accounting guidance. See Note 18—Fair Value of Financial Information, for additional information on accounting for the assets as investments in debt and equity securities as of December 31, 2023 and 2022.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained VEBA trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary. The Retiree Welfare Plan is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, the Active VEBA trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association ("Life VEBA") Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2023 and 2022, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Bargained VEBA:						
Cash	$ 4	$ 4	$ —	$ —	$ —	4%
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7%
Corporate bonds	86	—	86	—	—	85%
Municipal bonds	4	—	4	—	—	4%
Total bargained VEBA	$ 101	$ 11	$ 90	$ —	$ —	100%
Active VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	6%
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	6%
Corporate bonds	26	—	26	—	—	82%
Municipal bonds	2	—	2	—	—	6%
Total Active VEBA	$ 32	$ 4	$ 28	$ —	$ —	100%
Non-bargained VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	2%
Equity securities:						
U.S. large cap	44	44	—	—	—	35%
International	30	30	—	—	—	24%
Fixed income securities:						
Municipal bonds	49	—	49	—	—	39%
Total non-bargained VEBA	$ 125	$ 76	$ 49	$ —	$ —	100%
Total	$ 258	$ 91	$ 167	$ —	$ —	100%

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2022
Bargained VEBA:						
Cash	$ 3	$ 3	$ —	$ —	$ —	2%
Fixed income securities:						
U.S. Treasury securities and government bonds	131	72	59	—	—	97%
Long duration bond fund	1	1	—	—	—	1%
Total bargained VEBA	$ 135	$ 76	$ 59	$ —	$ —	100%
Non-bargained VEBA:						
Cash	$ 1	$ 1	$ —	$ —	$ —	1%
Equity securities:						
U.S. large cap	40	40	—	—	—	34%
International	29	29	—	—	—	25%
Fixed income securities:						
Municipal bonds	47	—	47	—	—	40%
Total non-bargained VEBA	$ 117	$ 70	$ 47	$ —	$ —	100%
Life VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	100%
Fixed income securities:						
Total life VEBA	$ 2	$ 2	$ —	$ —	$ —	100%
Total	$ 254	$ 148	$ 106	$ —	$ —	100%

The Company's 2024 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA is 100% fixed income securities and for the Non-bargained VEBA is 60% equity securities and 40% fixed income securities. The Company's 2023 target postretirement benefit plan asset allocation for the Bargained VEBA and Life VEBA was 100% fixed income securities and for the Non-bargained VEBA was 60% equity securities and 40% fixed income securities.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities —For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as certain U.S. large cap and international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds and/or limited partnerships, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed monthly or more frequently, with 30 or less days of notice and without further restrictions.

Fixed-income securities—Certain U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. These securities are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded futures and options, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1. Other U.S. Treasury securities are invested in commingled funds that may implement their investment strategies in a variety of ways which may include direct and/or indirect investment in securities and other instruments or assets (e.g., futures and swaps) or investment in units of other commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Real estate fund—Real estate funds are an investment vehicle in the form of a limited partnership primarily focused in real estate investments and are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed quarterly, with 90 or less days of notice, subject to available cash.

REITs—REITs are invested in commingled funds primarily focused in publicly traded shares of real estate investment trusts. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. REITs are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,578	$ 2,294	$ 255	$ 342
Service cost	17	30	2	3
Interest cost	85	64	14	10
Plan participants' contributions	—	—	3	3
Plan amendments	—	—	—	6
Actuarial loss (gain)	67	(582)	(4)	(77)
Divestiture	—	(86)	—	(4)
Settlements	(3)	—	—	—
Gross benefits paid	(118)	(142)	(24)	(28)
Federal subsidy	—	—	1	—
Other adjustments	(4)	—	—	—
Benefit obligation as of December 31,	$ 1,622	$ 1,578	$ 247	$ 255
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,413	$ 1,991	$ 254	$ 538
Actual return on plan assets	93	(401)	22	(68)
Employer contributions	46	39	3	12
Plan participants' contributions	—	—	3	3
VEBA transfer	—	—	—	(194)
Divestiture	—	(74)	—	(9)
Settlements	(3)	—	—	—
Benefits paid	(118)	(142)	(24)	(28)
Fair value of plan assets as of December 31,	$ 1,431	$ 1,413	$ 258	$ 254
Funded value as of December 31,	$ (191)	$ (165)	$ 11	$ (1)
Amounts recognized on the balance sheet:				
Noncurrent asset	$ 73	$ 75	$ 12	$ —
Current liability	(2)	(5)	—	—
Noncurrent liability	(262)	(235)	(1)	(1)
Net amount recognized	$ (191)	$ (165)	$ 11	$ (1)

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2023	2022	2023	2022
Net actuarial loss	$ 340	$ 289	$ 30	$ 45
Prior service credit	(8)	(10)	(115)	(145)
Net amount recognized	$ 332	$ 279	$ (85)	$(100)
Regulatory assets (liabilities)	$ 300	$ 251	$ (85)	$(100)
Accumulated other comprehensive income	32	28	—	—
Total	$ 332	$ 279	$ (85)	$(100)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31, 2023 and 2022:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2023	2022
Projected benefit obligation	$ 952	$ 872
Fair value of plan assets	688	632

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2023	2022
Accumulated benefit obligation	$ 875	$ 793
Fair value of plan assets	688	632

The accumulated postretirement plan assets exceed benefit obligations for the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2024 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2024 expected employer contributions:		
To plan trusts	$ 44	$ —
To plan participants	2	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2024	$ 119	$ 23	$ 1
2025	122	23	1
2026	123	23	1
2027	125	23	1
2028	125	22	1
2029-2033	617	96	3

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2023	2022	2021	2023	2022	2021
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.18%	5.58%	2.94%	5.22%	5.60%	2.90%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	5.58%	2.94%	2.74%	5.60%	2.90%	2.56%
Expected return on plan assets	6.79%	6.50%	6.50%	5.00%	3.60%	3.67%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+	graded from 6.25% in 2021 to 5.00% in 2026+

NOTE "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used a weighted average expected return on plan assets of 6.79% to estimate its 2023 pension benefit costs, and an expected blended return based on weighted assets of 5.00% to estimate its 2023 other postretirement benefit costs.

For the years ended December 31, 2023, 2022 and 2021, the Company's mortality assumption utilized the Pri-2012 base mortality table with the MP-2021 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2023	2022	2021
Components of net periodic pension benefit cost (credit):			
Service cost	$ 17	$ 30	$ 36
Interest cost	85	64	64
Expected return on plan assets	(94)	(122)	(126)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	13	21	27
Settlements	1	—	—
Net periodic pension benefit cost (credit)	$ 19	$ (10)	$ (2)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	$ 3	$ (14)	$ 1
Amortization of actuarial loss	(4)	(3)	(4)
Total recognized in other comprehensive income	(1)	(17)	(3)
Total recognized in net periodic benefit cost (credit) and other comprehensive income	$ 18	$ (27)	$ (5)
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 2	$ 3	$ 4
Interest cost	14	10	10
Expected return on plan assets	(12)	(19)	(21)
Amortization of prior service credit	(31)	(31)	(32)
Amortization of actuarial loss	2	—	—
Net periodic other postretirement benefit (credit) cost	$(25)	$ (37)	$ (39)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $14 million, $13 million and $14 million for 2023, 2022 and 2021, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $17 million, $16 million and $16 million for 2023, 2022 and 2021, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $902 million as of December 31, 2023.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2024	$ 71
2025	70
2026	64
2027	57
2028	57
Thereafter	764

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2023, the Company has accrued approximately $6 million of probable loss contingencies and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies associated with such actions, which can be reasonably estimated, is $3 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such legal actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Water Main Break Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed, and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

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

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive

damages multiplier. In August 2020, WVAWC filed a Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia seeking to vacate or remand the Circuit Court's order certifying the issues class. In January 2021, the Supreme Court of Appeals remanded the case back to the Circuit Court for further consideration in light of a decision issued in another case relating to the class certification issues raised on appeal. In July 2022, the Circuit Court entered an order again certifying a class to address at trial certain liability issues but not to consider damages. In August 2022, WVAWC filed another Petition for Writ of Prohibition in the Supreme Court of Appeals of West Virginia challenging the West Virginia Circuit Court's July 2022 order, which petition was denied on June 8, 2023. On August 21, 2023, the Circuit Court set a date of September 9, 2024, for a class trial on issues relating to duty and breach of that duty. The trial will not find class-wide or punitive damages.

The Company and WVAWC believe that WVAWC has valid, meritorious defenses to the claims raised in this class action complaint. WVAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot reasonably estimate the amount of any reasonably possible loss or a range of loss related to this proceeding.

Chattanooga, Tennessee Water Main Break Class Action Litigation

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

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. On January 12, 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. On February 9, 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. On September 21, 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. On October 12, 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On December 1, 2023, TAWC filed a memorandum in opposition to the amended class definition. On January 18, 2024, the court heard oral argument on the motions but issued no decision. The court instead requested additional briefing and a second oral argument, deadlines for which have not yet been set.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint. TAWC is vigorously defending itself against these allegations. Given the current stage of this proceeding, the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,100 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits (the "first three lawsuits"), with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the first three lawsuits before a single judge in Kanawha County Circuit Court. That motion remains pending.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. These motions remain pending.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. These motions remain pending.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. As of January 31, 2024, a total of 412 Mountaineer Gas customers completed this claims process and were paid by WVAWC an average of approximately $1,500 each. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation. WVAWC is cooperating with its general investigation. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has meritorious defenses to such claims, and WVAWC is defending itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above, and the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water

from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"). The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

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

In September 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $241 million in aggregate costs as of December 31, 2023, related to the Water Supply Project, which includes $72 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until 2024 at the earliest. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. This decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding, and further evidentiary hearings have been scheduled for March 2024.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 final decision and its December 2022 final decision, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

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

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

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of the slant wells. Cal Am is named as a real party in interest. On November 14, 2023, the court set an initial trial date of May 1, 2024. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2023, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2024 and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the exhaustion of water supply reserves,

and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

Proposed Acquisition of Monterey System Assets—Potential Condemnation

Local Agency Formation Commission Litigation

The water system assets of Cal Am located in Monterey, California (the "Monterey system assets") are the subject of a potential condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey water system assets) and to reconsider the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, Cal Am and LAFCO each filed a notice of appeal with the California Court of Appeals regarding the Monterey County Superior Court's decision to issue the writ of mandate. Cal Am is evaluating potential additional actions to contest the writ of mandate and to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

Potential Condemnation Actions by MPWMD

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requesting access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the

MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. On December 15, 2023, the MPWMD filed a lawsuit in Monterey County Superior Court seeking to condemn the Monterey system assets. While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal precedent related to similar attempts by public agencies in California to take over water systems and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

West Virginia Elk River Freedom Industries Chemical Spill

On June 8, 2018, the U.S. District Court for the Southern District of West Virginia granted final approval of a settlement class and global class action settlement (the "Settlement") for all claims and potential claims by all class members (collectively, the "West Virginia Plaintiffs") arising out of the January 2014 Freedom Industries, Inc. chemical spill in West Virginia. The effective date of the Settlement was July 16, 2018. Under the terms and conditions of the Settlement, WVAWC and certain other Company affiliated entities did not admit, and will not admit, any fault or liability for any of the allegations made by the West Virginia Plaintiffs in any of the actions that were resolved.

As of December 31, 2023, $0.5 million of the aggregate Settlement amount of $126 million remains reflected in accrued liabilities, and $0.5 million in an offsetting insurance receivable remains reflected in other current assets on the Consolidated Balance Sheets pending resolution of all asserted actual or potential claims associated with this matter. The amount reflected in accrued liabilities reflects the status of the liability and the offsetting insurance receivable reflected in other current assets, each as of December 31, 2023.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2023	2022	2021
Numerator:			
Net income attributable to common shareholders	$ 944	$ 820	$ 1,263
Denominator:			
Weighted average common shares outstanding—Basic	193	182	182
Effect of dilutive common stock equivalents	—	—	—
Weighted average common shares outstanding—Diluted	193	182	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2023, 2022 and 2021, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For all periods presented, there was no dilution resulting from the Notes. See Note 11—Long-Term Debt for additional information relating to the Notes.

Note 18: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

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

Secured seller promissory note from the sale of HOS — The carrying amount reported on the Consolidated Balance Sheets for the secured seller promissory note, included as part of the consideration from the sale of HOS is $720 million as of December 31, 2023 and 2022. This amount represents the principal amount owed under the secured seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the secured seller note approximated $704 million and $686 million as of December 31, 2023 and 2022, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The secured seller note is classified as Level 3 within the fair value hierarchy. On February 2, 2024, the secured seller note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of a $75 million contingent cash payment. See Note 5—Acquisitions and Divestitures for additional information.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2023				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	12,190	9,575	1,044	757	11,376

	As of December 31, 2022				
	Carrying Amount	At Fair Value			
		Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt (excluding finance lease obligations)	11,207	8,599	49	1,427	10,075

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Restricted funds	$ 34	$ —	$ —	$ 34
Rabbi trust investments	22	—	—	22
Deposits	8	—	—	8
Other investments				
Money market and other	26	—	—	26
Fixed-Income Securities	140	6	—	146
Total assets	230	6	—	236
Liabilities:				
Deferred compensation obligations	27	—	—	27
Mark-to-market derivative liability	—	8	—	8
Total liabilities	27	8	—	35
Total assets	$ 203	$ (2)	$ —	$ 201

	As of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Restricted funds	$ 32	$ —	$ —	$ 32
Rabbi trust investments	21	—	—	21
Deposits	7	—	—	7
Other investments				
Money market and other	61	—	—	61
Fixed-Income Securities	147	6	—	153
Contingent cash payment from the sale of HOS	—	—	72	72
Mark-to-market derivative asset	—	1	—	1
Total assets	268	7	72	347
Liabilities:				
Deferred compensation obligations	24	—	—	24
Total liabilities	24	—	—	24
Total assets	$ 244	$ 7	$ 72	$ 323

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

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

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—As a result of the Retiree Welfare Plan changes discussed in Note 15—Employee Benefits, effective December 31, 2022, the Company transferred investment assets from the Bargained VEBA into the existing trust maintained for the benefit of the Active VEBA. The transfer of these Bargained VEBA investment assets into the Active VEBA permits access to approximately $194 million of assets for purposes of paying active union employee medical benefits.

The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed income securities. The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on observable market prices and therefore included in the recurring fair value measurements hierarchy as Level 1. The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $62 million and $67 million in other current assets, as of December 31, 2023 and 2022, respectively, and $111 million and $147 million in other long-term assets, as of December 31, 2023 and 2022, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities as of December 31, 2023 and 2022:

	As of December 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 143	$ 6	$ 3	$ 146

	As of December 31, 2022			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 153	$ —	$ —	$ 153

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2023, is as follows:

	Amount
Other investments—Available-for-sale fixed-income securities	
Less than one year	$ 83
1 year—5 years	50
5 years—10 years	4
Greater than 10 years	9
Total	$ 146

Contingent cash payment from the sale of HOS— The Company's contingent cash payment derivative included as part of the consideration from the sale of HOS is included in other current assets on the Consolidated Balance Sheets as of December 31, 2022. The accounting fair value measurement of the contingent cash payment was $72 million as of December 31, 2022, which was reflective of changes in the benchmark interest rate and was estimated using the probability of the outcome of receipt of the $75 million, a Level 3 input.

As of December 31, 2023, the contingent cash payment from the sale of HOS is accounted for as a receivable, as the conditions have been satisfied. The carrying amount of the receivable is included in other long-term assets on the Consolidated Balance Sheets as December 31, 2023, which approximates fair value. On February 2, 2024, the secured seller note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment. See Note 5—Acquisitions and Divestitures for additional information.

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 36 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant

under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $144 million and $145 million as of December 31, 2023 and 2022, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2024 through 2028, and $41 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $11 million, $12 million and $13 million for the years ended December 31, 2023, 2022 and 2021, respectively.

For the year ended December 31, 2023, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was $11 million. For the year ended December 31, 2023, ROU assets obtained in exchange for new operating lease liabilities was $11 million.

As of December 31, 2023, the weighted-average remaining lease term of the operating leases was 17 years, and the weighted-average discount rate of the operating leases was 4%.

The future maturities of lease liabilities at December 31, 2023, were $10 million in 2024, $10 million in 2025, $9 million in 2026, $8 million in 2027, $6 million in 2028 and $76 million thereafter. At December 31, 2023, imputed interest was $39 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by management to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses. The Company's former HOS business, which was sold in the fourth quarter of 2021, was included in "Market-Based Businesses" in the Company's Form 10-K for the year ended December 31, 2021. As a result of the sale of HOS, the categories which were previously shown as "Market-Based Businesses" and "Other" have been combined and are shown as Other. Segment results for the year ended December 31, 2021, have been adjusted retrospectively to reflect this change.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to subsidiaries within Other, leased office space, and furniture and equipment provided by subsidiaries within Other to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of

HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,920	$ 314	$ 4,234
Depreciation and amortization	693	11	704
Total operating expenses, net	2,421	309	2,730
Interest expense	(364)	(96)	(460)
Interest income	28	45	73
Provision for (benefit from) income taxes	259	(7)	252
Net income (loss) attributable to common shareholders	971	(27)	944
Total assets	27,480	2,818	30,298
Cash paid for capital expenditures	2,551	24	2,575

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,505	$ 287	$ 3,792
Depreciation and amortization	633	16	649
Total operating expenses, net	2,242	277	2,519
Interest expense	(314)	(119)	(433)
Interest income	2	50	52
Gain on sale of businesses	—	19	19
Provision for income taxes	188	—	188
Net income (loss) attributable to common shareholders	854	(34)	820
Total assets	25,038	2,749	27,787
Cash paid for capital expenditures	2,284	13	2,297

	2021		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,384	$ 546	$ 3,930
Depreciation and amortization	601	35	636
Total operating expenses, net	2,227	507	2,734
Interest expense	(290)	(113)	(403)
Interest income	1	3	4
(Loss) or gain on sale of businesses	(1)	748	747
Provision for income taxes	172	205	377
Net income attributable to common shareholders	789	474	1,263
Total assets	23,365	2,710	26,075
Cash paid for capital expenditures	1,747	17	1,764

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2023 and 2022, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2023			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 938	$1,097	$1,167	$1,032
Operating income	295	432	478	299
Net income attributable to common shareholders	170	280	323	171
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.91	$ 1.44	$ 1.66	$ 0.88
Diluted earnings per share:				
Net income attributable to common shareholders	0.91	1.44	1.66	0.88

(a) Amounts may not sum due to rounding.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 842	$ 937	$1,082	$ 931
Operating income	246	327	439	261
Net income attributable to common shareholders	158	218	297	147
Basic earnings per share: (a)				
Net income attributable to common shareholders	$0.87	$1.20	$ 1.63	$0.81
Diluted earnings per share:				
Net income attributable to common shareholders	0.87	1.20	1.63	0.81

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2023, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

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

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2023, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On February 8, 2024, Karl F. Kurz, the Company's Board Chair, was notified by Admiral James G. Stavridis of his decision to resign as a member of the Board of Directors of the Company (the "Board"), effective as of February 12, 2024. Admiral Stavridis's notification stated that he was resigning to focus on all of his professional and personal obligations and that he did not have any disagreements with the Company on any matter relating to the Company's operations, policies or practices. Admiral Stavridis had been a director of the Company since 2018 and served as Chair of the Safety, Environmental, Technology and Operations Committee (the "SETO Committee") since 2021. At the effective time of his resignation, Admiral Stavridis also had served as a member of the Nominating/Corporate Governance Committee. The Company wishes to thank Admiral Stavridis for his many years of service to the Board.

On February 14, 2024, upon the recommendation of the Nominating/Corporate Governance Committee, the Board reduced the size of the Board from ten to nine members and appointed Board member Michael L. Marberry to replace Admiral Stavridis both as Chair of the SETO Committee and as a member of the Nominating/Corporate Governance Committee.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the captions entitled "Board of Directors and Corporate Governance—Board Role in Risk Oversight—Executive Development and Compensation Committee Role," "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1.1#	Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2019).
2.1.2	Letter Agreement, dated June 29, 2021, by and among American Water Works Company, Inc., Liberty Utilities (Eastern Water Holdings) Corp. and New York American Water Company, Inc., with respect to the Stock Purchase Agreement, dated November 20, 2019, by and among American Water Works Company, Inc., New York American Water Company, Inc. and Liberty Utilities Co. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2021).
2.2#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Indenture, dated as of June 29, 2023, among American Water Capital Corp., American Water Works Company, Inc. and U.S. Bank Trust Company, National Association. (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.4	Form of 3.625% Exchangeable Senior Note due 2026 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.5	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).

Exhibit Number	Exhibit Description
4.6	Officers' Certificate, dated November 20, 2013, establishing the 3.850% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 20, 2013).
4.7	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.9	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.12	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.13	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.14	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.15	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.16	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.17	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.18	Officers' Certificate, dated May 13, 2019, establishing the 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.19	Officers' Certificate, dated April 14, 2020, establishing the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.20	Officers' Certificate, dated April 14, 2020, establishing the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).

Exhibit Number	Exhibit Description
4.21	Officers' Certificate, dated May 14, 2021, establishing the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.22	Officers' Certificate, dated May 14, 2021, establishing the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.23	Officers' Certificate, dated May 5, 2022, establishing the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.24	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
10.1.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.1.2	First Amendment, dated as of June 21, 2023, to the Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.1.3	Extension Agreement, dated October 26, 2023, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to American Water Company Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 1, 2023).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of February 2, 2022, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 16, 2022).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated January 21, 2022, between American Water Works Company, Inc. and James H. Gallegos (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).

Exhibit Number	Exhibit Description
10.6*	Offer Letter for Employment, dated April 27, 2022, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 27, 2022).
10.7*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.8*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.9.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.9.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19. 2019).
10.10*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.11.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.11.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.12*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.13.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).

Exhibit Number	Exhibit Description
10.13.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.2.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.2.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.13.5*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2013 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 7, 2013).
10.13.6*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.13.7*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.14.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.14.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.14.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.7*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).

Exhibit Number	Exhibit Description
10.14.8*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.9*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.10*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.14.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.14.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.14.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-2 (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.14.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).

Exhibit Number	Exhibit Description
10.14.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (incorporated by reference to Exhibit 10.13.23 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.14.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form A (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.14.24*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.25*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.14.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO) (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).

Exhibit Number	Exhibit Description
10.14.30*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.14.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.15*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.16*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.17.1#*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (incorporated by reference to Exhibit 10.16 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.17.2*	American Water Works Company, Inc. Amendment 2023-1 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 20, 2023 (filed herewith).
10.17.3*	American Water Works Company, Inc. Amendment 2023-2 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 29, 2023 (filed herewith).
10.18.1#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.18.2#	Amendment No. 1 to Secured Seller Note Agreement, dated as of February 2, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 5, 2024).
10.19	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).

Exhibit Number	Exhibit Description
31.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of John C. Griffith, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
97.1	American Water Works Company, Inc. Incentive-Based Compensation Recovery Policy, dated as of December 1, 2023 (filed herewith).
101.INS	XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

\# Certain schedules and exhibits to this agreement have been omitted as permitted by rules or regulations of the SEC. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Stock Purchase Agreement filed as Exhibit 2.1.1, the Membership Interest Purchase Agreement filed as Exhibit 2.2, the Secured Seller Note Agreement filed as Exhibit 10.18.1 and the Amendment to Secured Seller Note Agreement noted filed as Exhibit 10.18.2 to this Annual Report on Form 10-K have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants,

conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 14th day of February, 2024.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 14th day of February, 2024, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer and Director)

/s/ JEFFREY N. EDWARDS

Jeffrey N. Edwards
(Director)

/s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ MARTHA CLARK GOSS

Martha Clark Goss
(Director)

/s/ MELISSA K. WIKLE

Melissa K. Wikle
Senior Vice President, Chief Accounting Officer
(Principal Accounting Officer)

/s/ KIMBERLY J. HARRIS

Kimberly J. Harris
(Director)

/s/ LAURIE P. HAVANEC

Laurie P. Havanec
(Director)

/s/ JULIA L. JOHNSON

Julia L. Johnson
(Director)

/s/ PATRICIA L. KAMPLING

Patricia L. Kampling
(Director)

/s/ KARL F. KURZ

Karl F. Kurz
(Board Chair)

/s/ MICHAEL L. MARBERRY

Michael L. Marberry
(Director)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-263068 and 333-253484) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 14, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 14, 2024

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 14, 2024

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, John C. Griffith, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 14, 2024

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, President and Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
President and Chief Executive Officer
(Principal Executive Officer)
February 14, 2024

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Griffith, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ JOHN C. GRIFFITH

John C. Griffith
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 14, 2024

[THIS PAGE INTENTIONALLY LEFT BLANK]



amwater.com ▪ ir.amwater.com

1 Water Street
Camden, NJ 08102-1658

"American Water" and the star logo are the registered trademarks of American Water Works Company, Inc. All rights reserved.

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C132107

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

OR

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

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

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)
(856) 955-4001
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

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

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

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

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

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

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

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

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

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

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Common Stock, $0.01 par value—$22,045,400,000 as of June 28, 2024 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 28, 2024, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 28, 2024, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—194,947,313 shares as of February 10, 2025.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2025 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2024 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

		Page
Forward-Looking Statements		1
	Part I	
Item 1.	Business	4
Item 1A.	Risk Factors	21
Item 1B.	Unresolved Staff Comments	36
Item 1C.	Cyber Security	36
Item 2.	Properties	38
Item 3.	Legal Proceedings	38
Item 4.	Mine Safety Disclosures	48
	Part II	
Item 5.	Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	49
Item 6.	[Reserved]	49
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	50
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	74
Item 8.	Financial Statements and Supplementary Data	76
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	137
Item 9A.	Controls and Procedures	137
Item 9B.	Other Information	138
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	138
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	139
Item 11.	Executive Compensation	139
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	139
Item 13.	Certain Relationships and Related Transactions and Director Independence	139
Item 14.	Principal Accountant Fees and Services	139
	Part IV	
Item 15.	Exhibits and Financial Statement Schedules	140
Item 16.	Form 10-K Summary	140
Exhibit Index		140
Signatures		145

FORWARD-LOOKING STATEMENTS

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

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

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- present and future proposed changes in laws, governmental regulations and policies, including with respect to the environment (such as, for example, potential improvements to existing Federal regulations with respect to lead and copper service lines and galvanized steel pipe), health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern (including without limitation per- and polyfluoroalkyl substances (collectively, "PFAS")), public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;

- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures, as well as civil class action and other litigation or legal, regulatory or administrative proceedings, related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
    - acquiring, closing and successfully integrating regulated operations;
    - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
    - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
    - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
    - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement, security and cybersecurity regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation copper, lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;

- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax ("CAMT")), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

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

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,700 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as one reportable segment, referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

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

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in 14 states in the United States, with 3.5 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $4,296 million for 2024, $3,920 million for 2023 and $3,505 million for 2022, accounting for 92%, 93% and 92%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2024:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
New Jersey	$ 990	$ 61	$ 1,051	24.5 %	672	70	742	20.9 %
Pennsylvania	872	167	1,039	24.2 %	688	115	803	22.6 %
Missouri	487	21	508	11.8 %	485	24	509	14.4 %
Illinois	359	73	432	10.1 %	300	77	377	10.6 %
California	342	4	346	8.1 %	191	3	194	5.5 %
Total—Top Five States (b)	3,050	326	3,376	78.6 %	2,336	289	2,625	74.0 %
Other (c)	883	37	920	21.4 %	881	40	921	26.0 %
Total Regulated Businesses	$ 3,933	$ 363	$ 4,296	100.0 %	3,217	329	3,546	100.0 %

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

(b) The Company's "Top Five States" are determined based upon operating revenues.

(c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses.

Customers

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

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

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

Presented in the table below is a breakout of the Company's Regulated Businesses' operating revenue by class of customer, for the years ended December 31, 2024, 2023 and 2022:

	2024		2023		2022	
(In millions)	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue
Water services:						
Residential	$ 2,349	55 %	$ 2,143	55 %	$ 1,941	55 %
Commercial	885	21 %	798	20 %	710	20 %
Fire service	164	4 %	158	4 %	147	4 %
Industrial	184	4 %	167	4 %	153	4 %
Public and other water (a)	301	7 %	284	7 %	267	8 %
Wastewater	363	8 %	327	8 %	242	7 %
Other (b)	50	1 %	43	2 %	45	2 %
Total	$ 4,296	100 %	$ 3,920	100 %	$ 3,505	100 %

(a) Includes water revenues from public authorities and other utilities, community water systems under bulk contracts and alternative revenue programs.

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

Presented in the table below is the number of water and wastewater customers the Company's Regulated Businesses served by class of customer as of December 31, 2024, 2023 and 2022, which represents approximately 13 million people served as of December 31, 2024:

	2024		2023		2022	
(In thousands)	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,920	307	2,893	279	2,870	270
Commercial	222	21	221	18	219	17
Fire service	53	—	52	—	51	—
Industrial	4	—	4	—	4	—
Public and other (a)	18	1	18	1	17	1
Total	3,217	329	3,188	298	3,161	288

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

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

Water Supply and Wastewater Services

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

Presented in the table below are the percentages of water supply by source type for the Company's Top Five States individually and the Regulated Businesses collectively for the year ended December 31, 2024:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	22%	4%
Pennsylvania	91%	7%	2%
Missouri	83%	16%	1%
Illinois	53%	35%	12%
California	—%	64%	36%
Regulated Businesses	70%	23%	7%

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

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

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

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

Capital Investment

The Company plans to invest between $40 billion and $42 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company is proactively improving its pipe renewal rate from a 250-year replacement cycle in 2009 to an approximate 125-year replacement cycle by 2029, which it anticipates will enable the Company to replace nearly 2,000 miles of mains and collection pipes between 2025 and 2029. In addition, from 2025 to 2029, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. The Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

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

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

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

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In California, the ratemaking tool provides partial revenue recovery with a focus on promotion of conservation signals in the pricing structure.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

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

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the U.S. Environmental Protection Agency ("EPA"), as of 2024, approximately 84% of the water market is served by municipal systems and, as of 2022, approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2024, that there are over 50,000 community water systems and, as of 2022, over 17,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of approximately 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The Company leverages its collective size and scale to achieve operational efficiencies, prioritize capital investments and utilize employee knowledge to manage acquired systems. Operational efficiencies and investment needs allow the Company to be successful in integrating and managing the systems acquired with its regulated service areas. The Company's current customer mix of 91% water and 9% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulatory jurisdictions (states), the Company will evaluate the regulatory, legislative and business climates for the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards of services to customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies and promote customer affordability after entering a new domestic market. Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Industry Legislation

American Water continues to advocate for constructive policies at the federal level that align with the Company's strategic priorities and would be beneficial to its customers. These include bi-partisan, bi-cameral legislation to establish a permanent, nationwide, low to moderate income water assistance program, given the expiration of the previous program in 2023; establishing liability exemptions under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") for certain entities, notably passive receivers of hazardous substances, specifically related to PFAS (such as water and wastewater utilities); and granting investor-owned wastewater utilities the opportunity to access state revolving loan funds. Efforts to advance these legislative priorities will continue in 2025.

The Company's regulated subsidiaries in New Jersey, Indiana and Missouri have versions of water quality or safety accountability acts that require operational or safety and security standards for water and wastewater utilities serving a certain number of customers. In New Jersey, the law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, hydrant and valve maintenance and cybersecurity. In Indiana, the law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. In Missouri, the act requires water and wastewater utilities to create cybersecurity, valve inspection and hydrant inspection programs.

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

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

Seasonality

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

Affordability

As a water utility, the Company's water must be safe, reliable and affordable. Through increased efficiency, conservation and affordability support programs and tariffs, on average across the enterprise, the Company achieves water costs that are at or below 1% of median household income. Succeeding in water affordability positively affects the health and safety of the Company's customers and contributes to the economic prosperity of the communities in which it operates.

The Company continues to advocate for federal and state customer affordability support and monitors the number of customers enrolled in its assistance programs to make sure that it is effectively responding to customer needs. In addition, the Company advocates for low income rate discount programs and rate design reform measures in state rate proceedings that will improve the affordability of service specifically for lower income customers.

Competition

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

Condemnation and Eminent Domain

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

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey system assets of Cal Am are the subject of a condemnation lawsuit filed by the MPWMD stemming from a November 2018 public ballot initiative. For more information on this matter, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation.

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

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on military installations. The Contract Services Group ("CSG"), also included in Other, has three contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment by the Company. Operating revenues for Other were $388 million for 2024, $314 million for 2023 and $287 million for 2022, accounting for 8%, 7% and 8%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

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

The contract price for three of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 15 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $7.4 billion, with an average remaining contract term of 38 years.

Competition

MSG faces competition primarily from American States Water Company.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $1.4 billion over the next five years, and $275 million in 2025, to address water quality issues; most of which are focused on compliance with environmental laws and regulations. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use a variety of chemicals, including, for example, gaseous chlorine, that generate waste and require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. CERCLA authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

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

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering development of a new regulation for perchlorate and updates to the current microbial and disinfection byproduct regulations. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2025.

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

Reduction of Potential Lead Exposure in Drinking Water

Over the last 40 years, there have been numerous federal regulations aimed at reducing the potential exposure of lead from plumbing materials into drinking water. Regulations have addressed both piping system materials and water quality. In 1986, the Safe Drinking Water Act was amended to prohibit the installation of pipe, solder and flux in public water systems and premise plumbing systems that was not lead-free. In 1991, the EPA published the Lead and Copper Rule ("LCR") to reduce the corrosivity of water and control lead and copper in drinking water. In 2011, the Reduction of Lead in Drinking Water Act was enacted, further limiting the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. Since that time, the EPA has issued several minor revisions (2000, 2004 and 2007) and two major revisions (2021 and 2024) to the LCR.

While these measures have made an impact in reducing potential lead exposure in drinking water in the United States and educating water consumers, the 2021 Lead and Copper Rule Revisions ("LCRR") and 2024 Lead and Copper Rule Improvements ("LCRI") rules further advance public health protections by addressing the legacy lead service lines as well as lead plumbing materials, primarily in building plumbing, that still remain in many communities. The 2021 and 2024 revisions are discussed below.

On January 15, 2021, the EPA published the final LCRR with a revised final compliance date of October 16, 2024. The LCRR is designed to better identify high levels of lead, improve the reliability of lead tap sampling results, strengthen corrosion control treatment requirements, expand consumer awareness and improve risk communication. On October 30, 2024, the EPA published the LCRI with a "Compliance Date" of November 1, 2027. The LCRI focus includes requirements related to (i) replacing all lead and certain galvanized service lines under a utility's control by October 30, 2037, 10 years after the Compliance Date; (ii) identifying the materials of all service lines of unknown material; (iii) improving tap sampling; (iv) reducing the lead action level; and (v) strengthening protections to reduce exposure to lead. The LCRI also deferred the compliance date of certain requirements of the LCRR to allow for compliance with both new rules.

The Infrastructure Investment and Jobs Act was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company will evaluate its service territories and apply for funding for those areas that meet applicable requirements. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set lead service lines ("LSLs") removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCRI compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR and final LCRI. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

As part of its ongoing water main replacement and service line renewal projects, and in accordance with applicable state regulations and anticipation of updated federal regulation, the Company has been replacing LSLs for many years in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

National Primary Drinking Water Regulations

On April 10, 2024, the EPA announced a final National Primary Drinking Water Regulation ("NPDWR") for six PFAS, including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The NPDWR for PFAS establishes legally enforceable levels, called Maximum Contaminant Levels ("MCLs"), for PFAS in drinking water. Utilities will be required to complete their initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. Utilities will be required to comply with the new MCLs by April 2029, implementing solutions to reduce PFAS levels where needed. Beginning in April 2029, utilities that exceed any of the PFAS MCLs will be required to provide notification to the public of the violation.

The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities in order to comply with the new regulations by April 2029. Additionally, the Company estimates that it will incur annual operating expenses of up to approximately $50 million related to testing and treatment, with the majority of the operating expenses beginning near the April 2029 compliance deadline. The actual level of capital investment and expenses may differ from these estimates and will be dependent upon market dynamics upon implementation of solutions to comply with the NPDWR for PFAS.

The Company has entered into a nine-year exclusive contract with a third-party vendor to supply granular activated carbon, equipment and reactivation services to more than 50 of the Company's treatment sites across 10 states through 2033. The equipment and services provided through the contract will aid the Company in treating drinking water to assist in complying with the NPDWR for PFAS.

The Company supports sound policies and compliance with the NPDWR for PFAS by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

On April 19, 2024, the EPA issued a final rule to designate PFOA and PFOS as hazardous substances under CERCLA. The Company, along with a coalition of other water and wastewater organizations, is actively advocating for and supporting bipartisan legislation that would provide PFAS liability protections under CERCLA for water and wastewater systems, as passive receivers of PFAS, and to hold polluters, and not the public or customers, accountable for PFAS-related liability.

Clean Water Act

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

Research and Development

The Company's Research and Development Program

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

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

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria, antibiotic resistant genes, endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which may be detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants at trace levels contributes to setting improved water quality goals.

The Chemicals Abstract Service Registry contains over 219 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;
- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS;
- systematically investigating PFAS removal from a variety of water matrices using established and emerging treatment technologies;
- leading a PFAS risk communication strategy for the water sector and sharing utility perspectives with external stakeholders through regional, national and international conferences;
- using innovative technologies (e.g., satellite imagery) for early detection and response to algal blooms to manage public health impacts and prevent taste and odor events before cyanotoxins get into the water treatment plant;

- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

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

The Company's security team, through Service Company, provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. The security team is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies, as well as for the Company's executive management and other employees. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. For additional information concerning this team and the Company's cybersecurity program, see Item 1C—Cybersecurity.

Sustainability

The Company considers environmental, social responsibility and governance principles fundamental to its corporate sustainability strategy and values. Integration of these principles into the Company's daily operations emphasizes its belief that "how" a company operates is just as important as "what" a company does. Delivering safe, clean, reliable and affordable water services to customers and treating wastewater has been fundamental to the Company's business for decades. The Company has an opportunity to make a positive, sustainable impact in thousands of communities by serving them with skilled employees and maintaining the governance and diligence to meet or exceed service expectations.

Demonstrated Leadership

The Company's values and actions have achieved recognitions for demonstrating its leadership in several areas related to trust, responsibility, sustainability and support of its communities, customers and employees. Among others, these include the following:

- recognized as one of the *Forbes* 2025 Most Trusted Companies in America, in addition to being ranked first in the utilities industry category on *Forbes* America's Best Large Employers List for 2024;
- recognized on *Newsweek*'s America's Most Responsible Companies 2025 List;
- ranked on *Barron*'s 100 Most Sustainable U.S. Companies 2024 List; and
- named one of America's Most JUST companies by JUST Capital and CNBC for its continued commitment to employees, customers, communities and shareholders.

Oversight

Management Oversight

The Company has adopted a cross-functional approach for developing and implementing its sustainability strategy, principles and reporting. The Company's management function around sustainability involves the direct involvement and participation by a number of its business units, including without limitation, its executive leadership team, as well as environmental, health and safety, human resources, legal, finance, accounting and investor relations. In addition, the Company has developed a steering committee that reports to the Chief Operating Officer and is led by the Director of Sustainability. The committee is designed to foster sustainability governance, strategic planning, performance management and increased visibility of key goals and metrics disclosed through various channels.

Board of Directors Oversight

The Board of Directors oversees the Company's strategy and performance related to sustainability through its four standing committees:

- The Safety, Environmental, Technology and Operations Committee (the "SETO Committee") has oversight and responsibility with respect to, among other things: water quality and emerging contaminants; operational matters and functions; environmental and climate-related matters; and physical security and cybersecurity.
- The Audit, Finance and Risk Committee has oversight and responsibility with respect to, among other things: the Company's risk assessment and enterprise risk management; the Company's financial statements and accounting; the Company's independent auditor; internal audit and controls; and ethics and compliance matters.
- The Executive Development and Compensation Committee ("ED&CC") oversees, among other things: the Company's human capital management; culture and related engagement with employees; and executive development, succession and compensation.
- The Nominating/Corporate Governance Committee (the "Nominating Committee") has oversight and responsibility with respect to, among other things: corporate governance; Board and committee membership, leadership and composition; director independence, nominations and succession; and director education.

Reporting, Disclosures and Transparency

Information on the performance and management of the Company's key metrics can be found on the Company's Investor Relations website at *https://ir.amwater.com/sustainability*. The Company also discloses on its website its Political Contribution Policy, and, on an annual basis, information related to political contributions, certain payments to tax-exempt organizations and trade associations (including Section 501(c)(4) organizations), and lobbying expenditures.

Human Capital Resources

Overview

American Water is committed to supporting a high performing workforce. The Company seeks to attract and retain employees who share its purpose and values and understand the needs of the communities they serve. The Company demonstrates this commitment to its employees through its values of safety first; trust, dignity and respect; one team; environmental leadership; and high performance. American Water believes that investing time, energy and resources in its workforce generates new ideas, continuous improvement and high-quality and reliable service for its customers and communities.

Safety First

Safety is a core value at American Water and a critical component of its operational focus. The Company's goal is to achieve zero incidents, injuries and fatalities for its employees and contractors.

American Water believes all employees and contractors deserve to return home from work in the same, or better, condition than when they arrived. The Company's commitment to employee health and safety includes physical safety, emotional safety and overall well-being. To support its commitment to safety, the Company's employees completed approximately 126,000 hours of safety training, including physical security and cybersecurity, in 2024. Additionally, the Company focuses on proactive safety programs through collaboration with employees at all levels of the organization. Employees are empowered to demonstrate safety leadership by utilizing a number of safety procedures embedded in the Company's culture, such as the use of (i) daily and pre-meeting safety messages, (ii) "Stop Work Authority" (the power to stop working immediately and mitigate a hazard whenever an employee believes a task is unsafe) and (iii) pre-job briefings to proactively identify hazards that may be encountered. Notwithstanding the Company's commitment to a hazard free workplace, even when employees implement all appropriate and effective safety measures and precautions, accidents, injuries and even fatalities can and do occur. In 2024, a third-party vehicle entered a secure work zone striking four Company employees, due to no fault of its employees, which resulted in several serious injuries and one employee fatality. Additionally, in January 2025, a Company employee was fatally injured when struck by a train. For 2024, the Company had an OSHA Recordable Incident Rate ("ORIR") of 0.40 (25 recordable injuries, and does not include the fatality or injuries, which were determined to be not preventable), which reflects a 54% decrease in recordable injuries compared to 2023, when the ORIR was 0.86 (54 injuries). Also, the number of Days Away Restricted or Transferred ("DART") injuries decreased by 73% compared to 2023, primarily due to a decrease in strain, sprain and tear injuries, as well as a reduction in slip, trip and fall injuries. For 2024, the Company had a DART rate of 0.14 (9 injuries), compared to 0.52 (33 injuries) in 2023.

Talent Attraction, Retention and Development

The Company's talent and retention strategy is aimed at building and maintaining a high performing and engaged workforce across all levels of the business. The Company's performance depends on a highly skilled workforce with the requisite experience in areas including engineering, regulatory, water quality, finance and operations, in order to deliver safe, clean and reliable water and wastewater services to customers. The Company leverages various recruiting channels and partnerships as well as its employer brand to access a broad pool of talent and to hire what the Company believes are the most qualified candidates. In 2024, the Company filled approximately 1,000 positions, 67% of which with external candidates and 33% with internal candidates.

The Company has created and implemented programs aimed at developing and retaining talent. The Company collaborates with business leaders to identify the essential behaviors and competencies needed for safe and high performing operations, as well as to achieve its short and long-term business goals. Through the Company's workforce planning process, the Company evaluates key positions across the organization, identifies potential talent risks, and develops action plans to mitigate those risks. Additionally, the Company has created and implemented programs aimed at attracting, motivating, developing and retaining talent. These programs promote a culture of learning where employees are encouraged to continuously enhance their skills and knowledge through on-the-job experiences, social learning and formal learning opportunities. By committing to achieve 25 hours of learning annually, employees develop skills for their ongoing professional growth. Approximately 84% of active employees hired before October 1, 2024, have completed at least 25 hours of learning, resulting in approximately 262,000 hours of total learning completed during the year.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2024, the Company enhanced its succession planning process by increasing the number of business impact roles covered by a succession plan. These succession plans support the Company's business continuity plans and goals, through the identification and development of current and future leaders, and promote employee retention, as well as the Company's employee culture and talent development priorities.

In addition to succession planning for executive and senior leadership roles, during 2024, the Company conducted local and enterprise-wide talent reviews, identifying top and emerging talent with a focus on strengths, gaps and development needs against the critical skills needed for certain roles. Through these talent review processes, business leaders identified a pool of high-potential employees to allow the Company to support their career goals and aspirations, and to promote more effective employee experience and talent retention efforts. The Company also utilizes annual six-month mentoring programs designed to accelerate emerging leaders' abilities to demonstrate leadership capabilities and relationships, with the guidance of an experienced executive mentor.

Total Rewards

In order to attract, retain and motivate a skilled and high-performing workforce, American Water provides a comprehensive and highly competitive Total Rewards program, including base pay, Annual Performance Plan ("APP") for all employees, long-term performance plan compensation for certain leadership positions, and a wide range of benefits consisting of, among others, medical, prescription, dental, vision, life and disability insurance coverage, a retirement savings plan, an employee stock purchase plan, educational assistance, paid time off through holidays and vacation and sick time. The Company's Total Rewards offerings also include a health and wellness program, paid family leave benefit and a menu of additional voluntary benefits.

All the Company's employees, including those who are union-represented, participate in the APP to promote the alignment of performance-based compensation with the achievement of the Company's short-term performance goals. In addition, the Company regularly reviews its success in achieving fair compensation practices, whereby pay decisions would be based on the responsibilities, talents and skills of its employees, rather than unrelated factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week are eligible for full-time benefits. Approximately 89% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total premium cost of medical, dental and vision coverage. The Company's medical benefits include, among others, coverage for applied behavior analysis, autism treatment, transgender service, hearing aids and fertility assistance.

Trust, Dignity and Respect

In 2024, the Company launched the Catalyst for Change framework in support of its values of trust, dignity and respect. The pillar areas of commitment, consistency, clarity, courage and conviction, allow employees to work collectively to build the desired culture. At all levels, the Company strives to understand, value and provide opportunities to each employee, and to foster an environment where all employees are celebrated regardless of their background or life experiences. To achieve the desired state, all leaders are expected to model those behaviors that are consistent with the Catalyst for Change framework.

The Company believes that employees are at their best when they can bring their authentic selves to work every day. This belief is the central component of the Company's "Beautifully Different" philosophy, which recognizes, embraces and celebrates the uniqueness of its employees. The Company also believes that having employees with different ideas, viewpoints, experiences and backgrounds improves its ability to serve its customers. To this end, the Company is committed to attracting and retaining a workforce that understands the needs of the communities in which it serves.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements — deeper connections, personal growth, shared purpose, flexibility, and well-being. weCARE represents the Company's commitment to valuing its employees and building a safe, healthy and inclusive culture where employees know their value and are appreciated for their talents and commitment to supporting the Company's success. The Company is also committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. In 2024, the Company administered two pulse surveys, seeking feedback on employee experience, which had an overall participation rate of 68%.

Workforce Data

As of December 31, 2024, the Company had approximately 6,700 employees. For 2024, the Company's annualized employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2024, was 10.5%, down from 11.5% in 2023. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2024, approximately 46% of the Company's workforce was represented under 75 collective bargaining agreements with 14 different unions. In 2024, the Company renegotiated 26 collective bargaining agreements that were set to expire during the year. During 2025, 25 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, the Company's national benefits agreement, which expires on July 31, 2028, covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with unions on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Safety Council, Tools Committee and local Labor-Management Committees. The Company continues to work with several local labor unions and the Federal Mediation and Conciliation Service to host discussions among management and union leaders with the goal of supporting and enhancing constructive relationships with these unions.

Board Oversight

The ED&CC of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. The ED&CC's charter requires that it oversee the Company's human capital management, culture and related engagement activities. Further, the ED&CC's charter requires that the ED&CC have responsibility for reviewing and assessing, at least annually, the Company's organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 19, 2025:

Name	Age	Office and Experience
M. Susan Hardwick	62	**Chief Executive Officer.** Ms. Hardwick served as President and Chief Executive Officer of the Company from February 2, 2022, to August 1, 2024, and has served as Chief Executive Officer of the Company since August 1, 2024. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation ("Vectren"), which was sold to CenterPoint Energy, Inc., an electric and natural gas utility ("CenterPoint"), on February 1, 2019. Ms. Hardwick joined Vectren in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2027, and since January 1, 2021, she has served as a member of its Audit Committee.
John C. Griffith	58	**President.** Mr. Griffith has served as the Company's President since August 1, 2024, with responsibility for the day-to-day operations of the Company. He joined the Company on May 16, 2022, as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
David M. Bowler	46	**Executive Vice President and Chief Financial Officer.** Mr. Bowler has served as the Company's Executive Vice President and Chief Financial Officer since August 1, 2024, and as Senior Vice President, Deputy Chief Financial Officer and Treasurer from October 31, 2022 to August 1, 2024. Mr. Bowler joined the Company in May 2020 as its Senior Vice President of Corporate Tax, Accounting Technology and Regulatory Services, and served as Senior Vice President of Planning, Regulatory and Financial Services from July 2021 to November 2022. Prior to joining the Company, Mr. Bowler served as Director of Finance and Accounting Integration at CenterPoint from February 2019 to April 2020, and in a number of roles of increasing responsibility, most recently as Vice President, Controller and Assistant Treasurer at Vectren from January 2007 to February 2019. Mr. Bowler is a Certified Public Accountant.
Maureen Duffy	55	**Executive Vice President, Communications and External Affairs**. Ms. Duffy has served as the Company's Executive Vice President, Communications and External Affairs since October 29, 2024 and has had over 25 years of employment with the Company. Ms. Duffy served as the Company's Senior Vice President, Communications and External Affairs from January 2020 until October 29, 2024, as Vice President, Corporate Communications and Federal Affairs from May 2017 through December 2019, and as Vice President, Corporate Communications and External Affairs from September 2011 to May 2017. She also has held various positions with the Company's New Jersey subsidiary, including Government Affairs/Media Specialist, Communications Manager and Director of Corporate Communications. Prior to joining American Water, Ms. Duffy reported and produced news for WNJN/WNET-TV.
Melanie M. Kennedy	51	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.

Name	Age	Office and Experience
Stacy A. Mitchell	49	**Executive Vice President and General Counsel.** Ms. Mitchell has served as the Company's Executive Vice President and General Counsel since June 5, 2024. Prior to that, she served as the Company's Senior Vice President and Deputy General Counsel beginning in February 2023. She joined the Company in August 2019 as Vice President and Chief Regulatory Counsel. Prior to joining the Company, Ms. Mitchell served as the Vice President of Rates and Regulatory Affairs at South Jersey Industries, Inc. and its gas utility subsidiary. Prior to that time, she practiced litigation, regulatory and environmental law in private practice for 15 years. Ms. Mitchell serves as a member of the American Water Works Association's Water Utility Council, and as its Treasurer.
Cheryl Norton	60	**Executive Vice President and Chief Operating Officer.** Ms. Norton has 36 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management, and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

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

Available Information

The Company maintains a website at *https://amwater.com,* an Investor Relations website at *https://ir.amwater.com* and a Sustainability website at *https://ir.amwater.com/sustainability*. Information contained on the Company's websites, including its Sustainability Report and other reports or documents, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its websites as key channels of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

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

The Corporate Governance Guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on the Company's Investor Relations website, and will be made available, without charge, in print to any shareholder who requests such documents from the Company's Investor Relations Department in writing by mail at American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

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

Risks Related to Our Industry and Business Operations

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

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

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

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

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

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on equity permitted by PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions, (iv) we experience a significant increase in customers without recovery of the operating and other costs associated with serving them, or a decrease in customers that causes a decrease in operating revenue, or (v) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

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

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR (as amended), and each of their implementing rules and regulations, as well as other federal and state requirements. For example, PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. We are also required to obtain various environmental permits from regulatory agencies for our operations. If the water or wastewater services we provide to our customers do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation, as a result of governmental proceedings and private litigation. In the most serious cases, regulators could reduce requested rate increases or force us

to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry. In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. In addition, in April 2024, the EPA issued a final rule designating PFOA and PFOS as hazardous substances under CERCLA. While the EPA has stated that it will focus on holding responsible under CERCLA entities that significantly contributed to the release of PFAS into the environment, it is not yet known whether liability protection will be afforded to passive receivers of PFAS, including water and wastewater utilities.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements, such as the final EPA drinking water regulations for PFAS, the LCRR and the recently implemented LCRI, are expected to increase our costs. For example, the designation of PFOA and PFOS as hazardous substances under CERCLA may impact our ability to dispose of material used to treat impacted systems and may increase our costs as a result. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, and certain jurisdictions in which our Regulated Businesses operate have passed laws authorizing recovery of such costs, there can be no guarantee that the various other regulatory PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity. We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of certain hazardous chemicals, which are used in our treatment processes, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, including those obligations related to the disposal of PFAS residuals and other waste, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants will continue to form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

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

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

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the “1995 Order,” the “2009 Order” and, as amended in July 2016, the “2016 Order” and, collectively, the “Orders”) that require Cal Am to significantly decrease its diversions from the Carmel River. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which

could have a material adverse effect upon us and our business, results of operations and cash flows.

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

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

Government restrictions on water use may also result in decreased use of water and wastewater services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions, such as those experienced during 2024 in New Jersey, for example, that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions (including those mandated in New Jersey in 2024), rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices and certain regulatory mechanisms. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for a discussion of these practices and mechanisms. While these practices and mechanisms may serve to mitigate or reduce regulatory lag in certain of our regulated jurisdictions, we continue to seek approval of regulatory practices and mechanisms to mitigate or reduce regulatory lag in other jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges or those permitted by applicable law, and existing practices and mechanisms may not continue in their current form, or at all, and we may be unable or become ineligible to continue to utilize them in the future. Although we intend to continue to seek regulatory PUC approval of practices or mechanisms to mitigate or reduce regulatory lag, our efforts may not be successful in whole or in part, and even to the extent successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected by regulatory lag.

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

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

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax abatement benefits, (iii) the amount of taxes owed or paid, including as a result of the CAMT provisions, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;
- increasing the associated costs of, and/or of difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs and/or difficulty of complying with proposed changes to federal contractor affirmative action audits;

- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a PUC or other governmental authority.

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

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

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

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

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

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2024, we invested $2.8 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. If we are not able to obtain sufficient financing through current or future sources of liquidity, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

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

currently have a revenue stability mechanism that permit us to recover a portion or all of our authorized revenues in a general rate case, regardless of volumetric consumption. These mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

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

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

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

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

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our long-term contracts related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

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

The properties of our Regulated Businesses segment include 75 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our

customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

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

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

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

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

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

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

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

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

Some or all of these items could have a material adverse effect on our business. In addition, state laws on acquisition treatment or PUC interpretation thereof may affect our ability to recover costs associated with our investments in newly-acquired water and wastewater systems and any difficulties we encounter in the negotiation, execution or integration process could have a material adverse impact on our results of operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

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

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition. For example, on December 15, 2023, the MPWMD filed eminent domain litigation against Cal Am in Monterey County Superior Court with respect to the Monterey system assets and the case is pending. See Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation for additional information regarding this matter.

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

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

We have been, and may in the future be, subject to physical and cyber attacks.

As owners and operators of critical infrastructure, we face a heightened risk of physical attack and cyber attacks from internal or external sources, including nation-state cyber actors. Our water and wastewater systems have been, and may in the future be, vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism and other causes. By way of example, on October 3, 2024, we identified unauthorized activity within our information technology computer networks and systems, which we determined to be the result of a cybersecurity incident. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Cybersecurity Incident, for more information regarding this incident. Our operational and information technology systems are also vulnerable to unauthorized external or internal access, due to hacking, viruses, social engineering attacks, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Such unauthorized access could be caused through, among other causes, failure to follow established policies and procedures on the part of our employees, agents, vendors, suppliers, contractors or other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our networks and sensitive information, have been, and may in the future be, targets of cyber attacks and unauthorized access to their operational or information technology systems, and any cyber incident affecting our third-party business partners could significantly disrupt our operations.

While we believe that we have appropriate security measures and safeguards to protect our operational and information technology systems, the recent cybersecurity incident that we experienced in October 2024 demonstrated that those protections alone may not prevent a cyber attack, and we cannot guarantee that such protections will be completely successful in preventing or mitigating a future cyber attack. The Company has completed its investigation into the scope, nature and impact of the cybersecurity incident and determined the incident did not have a material effect on the Company or its financial condition or results of operations; however, the Company remains subject to various risks as a result of this incident, including those related to litigation, governmental and regulatory scrutiny, including from putative class action lawsuits that have been filed in connection with the recent incident. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits.

Future cybersecurity events could cause our operations to be disrupted, property to be damaged, and customer and other confidential information to be lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we would likely suffer a loss or redirection of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; our ability to comply with environmental standards and to continue to provide reliable service to our customers may be impacted; we would likely experience litigation and other claims against us; and we may suffer damage to our reputation, any of which could have a negative impact on our business, financial condition, results of operations and cash flows. Applicable laws and regulations or contracts may require us to report cybersecurity events or breaches of securely maintained confidential data, which may cause us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, and their resulting impacts, either to our facilities or assets, those of third parties, or the industry in general, may also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor, supplier, contractor or other third-party business partner could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. We have incurred, and may continue to incur, certain expenses related to the October 2024 cybersecurity incident, and we maintain a cybersecurity insurance policy as part of our overall insurance program. However, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not, in whole or in part, be covered by insurance or recoverable in rates. See Item 1A—Risk Factors Risks Related to our Industry and Business Operations—We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured, below for more information.

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

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Privacy Rights Act, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation, including, for example, from putative class action lawsuits filed in connection with our recent cybersecurity incident, or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows and liquidity.

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

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our operations. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker’s compensation, employer’s liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that

exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

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

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement, including as a result of a cyber incident, could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, obtain meter readings, bill customers, process orders, provide customer service, and manage certain plant operations and construction projects, including systems to support environmental compliance, provide for the safety of the water distributed to customers, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. In addition, we have invested resources to develop and adopt new technologies, including cloud-based systems, which rely on the security of our infrastructure, including hardware and other components provided by third parties, to support the reliability of our services and protect our data. While any failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

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

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

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

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

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We have implemented, and will continue to implement, technology to improve our business processes and customer interactions (including, without limitation, in connection with the installation or upgrade of our enterprise resource planning systems, and to support our cybersecurity program), and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

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

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future.

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

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

Safety is a core value at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees, contractors or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Even when employees implement all appropriate and effective safety measures and precautions, accidents, injuries and even fatalities can and do occur. See Item 1—Business—Human Capital Resources—Safety First. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, or if the location and identification of these chemicals are not reported accurately or timely, serious injury, death, environmental damage or property damage could result, and we could be subjected to fines, penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

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

As of December 31, 2024, approximately 46% of our workforce was represented by unions, and we had 75 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 25 of which are scheduled to expire during 2025, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages and by external political, economic and social factors. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

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

As of December 31, 2024, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $14.0 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

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

During 2024, we utilized existing sources of liquidity, such as our current cash balances, cash flows from operations and borrowings under our commercial paper program, to meet our short-term liquidity requirements. We believe that existing sources of liquidity will be sufficient to meet our cash requirements for the foreseeable future. In order to meet our capital expenditure and other operational needs, however, we may be required to borrow additional funds under the revolving credit facility. In the event of a sustained market deterioration, we may need to obtain additional sources of liquidity, which would require us to evaluate available alternatives and take appropriate actions. Moreover, additional borrowings may be required to repay or refinance outstanding indebtedness. Debt maturities and sinking fund payments in 2025, 2026 and 2027 will be $637 million, $1,478 million and $686 million, respectively. We can provide no assurance that we will be able to access the debt or equity capital markets on favorable terms, if at all, to repay or refinance this debt. Moreover, as new debt is added to our current debt levels, the related risks we now face could intensify, limiting our ability to repay or refinance existing debt on favorable terms.

Given our usage of long-term debt as a key component of our capital and investment strategy, one of the principal market risks to which the Company is exposed is changes in interest rates. We have in the past entered into, and in the future may enter into, financial derivative instruments, including without limitation, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements. See Item 7A—Quantitative and Qualitative Disclosures About Market Risk. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly “mark to market” valuation risk associated with these instruments, that could negatively and materially affect our financial condition, results of operations and cash flows.

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

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

In addition to cash from operations, during 2024, we relied on a $2.75 billion revolving credit facility, a $2.60 billion commercial paper program, and the debt capital markets, to satisfy our liquidity needs. Historically, we have regularly used our commercial paper program rather than the revolving credit facility as a principal source of short-term borrowing due to the generally more attractive rates we generally could obtain in the commercial paper market. As of December 31, 2024, there were no outstanding borrowings under the revolving credit facility, $880 million of commercial paper outstanding and $82 million in outstanding letters of credit. There can be no assurance that we will be able to continue to access this commercial paper program or revolving credit facility, when, as and if desired, or that the amount of capital available thereunder will be sufficient to meet all of our liquidity needs at a reasonable, or any, cost.

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

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

The conditional exchange feature of the Exchangeable Senior Notes due 2026, if triggered, may adversely affect our liquidity and financial condition and may dilute the ownership interest of our shareholders or may otherwise depress the price of parent company's common stock.

In June 2023, American Water Capital Corp., our wholly owned finance subsidiary ("AWCC"), issued $1,035 million aggregate principal amount of its 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). See Note 11—Long-Term Debt in the Notes to the Consolidated Financial Statements for a description of the Notes. In the event the conditional exchange feature of the Notes is triggered and one or more holders elect to exchange their Notes, AWCC would be required to settle any exchanged principal through the payment of cash, which could adversely affect our liquidity. In addition, in that case, even if holders do not elect to exchange their Notes, we would be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. If AWCC elects to settle the portion, if any, of an exchange obligation in excess of the aggregate principal amount of the Notes being exchanged in shares of parent company common stock or a combination of cash and shares of such common stock, any sales in the public market of the common stock deliverable upon such exchange could adversely affect prevailing market prices of parent company common stock. In addition, the existence of the Notes may encourage short selling by market participants because the exchange of the Notes could be used to satisfy short positions, and any anticipated exchange of the Notes for shares of such common stock could depress the price of such common stock.

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

Parent company is a holding company and, as such, it has no substantive operations of its own. Substantially all of our consolidated assets are held by subsidiaries. Parent company's ability to meet its financial obligations and to pay dividends on its common stock is primarily dependent on the net income and cash flows of its subsidiaries and their ability to pay upstream dividends or repay indebtedness to parent company. Prior to paying dividends to parent company, our regulated subsidiaries must comply with applicable regulatory restrictions and financial obligations, including, for example, debt service and preferred and preference stock dividends, as well as applicable corporate, tax and other laws and regulations and agreements, and our covenants and other agreements. Our subsidiaries are separate legal entities and have no obligation to pay or upstream dividends to parent company. A

failure or inability of any of these subsidiaries to pay such dividends or repay intercompany obligations could have a material adverse impact on our liquidity and parent company's ability to pay dividends on its common stock and meet its other obligations.

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

Our assets as of December 31, 2024, included $1.1 billion of goodwill and $218 million of total assets measured and recorded at fair value on a recurring basis. The goodwill is primarily associated with the acquisition of American Water by an affiliate of our previous owner in 2003. Goodwill represents the excess of the purchase price the purchaser paid over the fair value of the net tangible and other intangible assets acquired. Goodwill is recorded at fair value on the date of an acquisition and is reviewed annually or more frequently if changes in circumstances indicate the carrying value may not be recoverable. As required by the applicable accounting rules, in the past, we have taken significant non-cash charges to operating results for impairments to goodwill or other intangible assets, and have recorded changes in fair value of financial instruments and other assets. We may be required to recognize in the future an impairment of goodwill or a change in fair value of financial instruments or certain other assets due to market conditions, other factors related to our performance or the performance of an acquired business, or other circumstances that may impact the fair value of a financial instrument or the other asset. See Note 18—Fair Value of Financial Information in the Notes to the Consolidated Financial Statements for information on the fair value of financial and other assets. These market conditions could include a decline over a period of time of our stock price, a decline over a period of time in valuation multiples of comparable water utilities, market price performance of our common stock that compares unfavorably to our peer companies, decreases in control premiums, or other circumstances. A decline in the results forecasted in our business plan due to events such as changes in rate case results, capital investment budgets or interest rates, could also result in an impairment charge. Recognition of impairments of goodwill and any changes in fair value of other assets would result in a charge to income in the period in which the impairment or change occurred, which may negatively affect our financial condition, results of operations and total capitalization. The effects of any such impairment or change could be material and could make it more difficult to maintain our credit ratings, secure financing on attractive terms, maintain compliance with debt covenants and meet the expectations of our regulators.

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

The performance of the capital markets affects the values of the assets that are held in trust to satisfy significant future obligations under our pension and postretirement benefit plans. The value of these assets is subject to market fluctuations and volatility, which may cause investment returns to fall below our projected return rates. A decline in the market value of our pension and postretirement benefit plan assets as of the measurement date or a change in the projection of the future return on plan assets can increase the funding requirements under our pension and postretirement benefit plans. Additionally, our pension and postretirement benefit plan liabilities are sensitive to changes in interest rates. Interest rates have experienced volatility and are subject to potential further adjustments based on the actions of the U.S. Federal Reserve, and others. If interest rates are lower at the current measurement date than the prior measurement date, our liabilities would increase, potentially increasing benefit expense and funding requirements. Further, changes in assumptions, such as increases in life expectancy assumptions and increasing trends in health care costs may also increase our funding requirements. Future increases in pension and other postretirement costs as a result of reduced plan assets may not be fully recoverable in rates, in which case our results of operations and financial position could be negatively affected. In addition, market factors can affect assumptions we use in determining funding requirements with respect to our pension and postretirement plans. For example, a relatively modest change in our assumptions regarding discount rates can materially affect our calculation of funding requirements. To the extent that the discount rate used in our assumptions is reduced, our benefit obligations could be materially increased, which could adversely affect our financial position, results of operations and cash flows.

Additional Risks Related to Other Businesses

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

Under the terms of certain agreements under which our Other businesses, primarily MSG, provide water and wastewater services to municipalities and federal governmental entities, parent company provides guarantees of specified performance obligations, including financial guarantees or deposits. In the event these obligations are not performed, the entity holding the guarantees may seek to enforce the performance commitments against parent company or proceed against the deposit. In that event, our financial condition, results of operations, cash flows and liquidity could be adversely affected. At December 31, 2024, we had remaining performance commitments, as measured by remaining contract revenue, and primarily related to MSG's contracts, totaling approximately $8.1 billion, of which $1.2 billion are guaranteed by parent company and the remainder is guaranteed by certain wholly owned subsidiaries of parent company. The aggregate amount of remaining performance commitments is likely to increase as the number of military installations served by MSG increases. The presence of these commitments may adversely affect our financial condition and make it more difficult for us to secure financing on attractive terms.

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

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

General Risk Factors

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

Our consolidated financial statements are prepared in accordance with GAAP. The SEC, the Financial Accounting Standards Board and other authoritative bodies or governmental entities may issue new pronouncements or new interpretations of existing accounting standards that may require us to change our accounting policies or critical accounting estimates. These changes are beyond our control, can be difficult to predict and could materially impact how we report our results of operations, cash flows and financial condition. We could be required to apply a new or revised standard retroactively, which could also adversely affect our previously reported results of operations, cash flows and financial condition.

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

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

Our continued success is dependent upon our ability to attract, hire and retain highly qualified and skilled employees.

The success of our business is dependent upon our ability to attract, hire and retain highly qualified and skilled employees understanding the needs of the communities in which we serve, including engineers and licensed operators, and water quality, regulatory and management professionals, with desired knowledge, experience and expertise. We may face challenges implementing our human capital management, recruitment and employee succession plans to attract and retain employees based on a number of factors, including, among others, market conditions, retirements and geography. If we are unable to meet these human capital resource challenges, our business, financial condition, results of operations and cash flows may be materially and adversely impacted.

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

The Company's Cybersecurity Program

The Company's cybersecurity program is an integral part of the long-term sustainability and effectiveness of the Company's operational and technology environment. To protect the integrity of its data and operational and technology systems, the Company employs a "defense-in-depth" strategy that uses multiple security measures. This strategy aligns with the National Institute of Standards and Technology Cyber Security Framework and provides preventative, detective, and responsive measures to identify and manage risks. The Company periodically reviews and modifies the implementation of its cybersecurity strategy based on threat trends, program maturity, the results of assessments, and the advice of third-party security consultants.

The Company's cybersecurity program includes the following areas of focus:

- Technology that includes, among other things, encryption, threat management, monitoring, investigation support and backups for physical devices, such as mobile phones and computers, connected to the Company network;
- Identity and access management controls that include, among other things, multi-factor authentication and safeguards associated with granting elevated privileges;
- Proactive cybersecurity processes, including vulnerability scanning, penetration testing and periodic program assessments by outside security consultants and assessors;
- Reactive cybersecurity processes that are regularly evaluated using various incident response and disaster recovery exercises;
- Employee cyber risk awareness and training, including regular simulation exercises with employees, that covers cybersecurity threats and actions to prevent and report attacks; and
- Third-party risk management and security standards, including due diligence, continuous monitoring, cyber risk scoring and contractual obligations, and periodic review of third-party control environments to align the Company's risk exposure with its business requirements and risk tolerances.

Third-Party Relationships

The Company utilizes partners and third-party service providers to help deliver safe and reliable water and wastewater services across its regulated operations and has implemented a third-party risk management program to understand the cybersecurity risks to the Company that may arise out of these third-party relationships. The Company categorizes third-party relationships by risk level, which is determined primarily by the service provided by the third-party and its level of access to the Company's data. Each category has specific cybersecurity controls, data privacy and documentation requirements, which are outlined in the agreement between the Company and the third-party service provider. In addition, the Company evaluates the online security footprint for its service providers at the time of agreement, and on a regular basis, thereafter, depending on the provider's risk level. The Company reviews its agreements with third-party service providers periodically related to terms and conditions governing cybersecurity controls and data privacy. The Company also monitors, as appropriate, risks relating to potential compromises of sensitive Company information through third parties and reevaluates these risks periodically. In addition, the Company obtains annual attestation reports related to data security and privacy from certain third-party providers to further support compliance with industry-standard cybersecurity protocols.

Cybersecurity Risks

Cybersecurity threats are constantly evolving and have and will continue to become more frequent and sophisticated. Although the Company has implemented measures that it believes are reasonable to safeguard its operational and information technology systems and has sought to establish a culture of continuous monitoring and improvement, the evolving and increasingly complex nature of cybersecurity attacks and vulnerabilities means that these protections may not always be effective. By way of example, as previously disclosed, on October 3, 2024, the Company identified unauthorized activity within its information technology computer networks and systems, which was determined to be the result of a cybersecurity incident. To date, the Company has determined that it has not experienced a cybersecurity incident that has resulted in a material impact to the Company's financial condition, results of operations, cash flows, or business strategy. For additional information concerning the October 3, 2024, cybersecurity incident, and cybersecurity-related risks, see Item 1A—Risk Factors—Risks Related to Our Industry and Business Operations—We are, and may in the future be, subject to physical and cyber attacks, and —We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured; and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Cybersecurity Incident.

Cybersecurity Risk Management and Strategy

The Company has established an enterprise-wide cybersecurity program designed to prevent disruption to critical information systems, minimize the loss or manipulation of sensitive information, and to timely identify, escalate and promptly remediate and recover from cybersecurity incidents and facilitate compliance with regulatory and disclosure requirements. To oversee cybersecurity risk management, the Company employs a dedicated unit, led by the Company's Chief Information Security Officer ("CISO"), to implement cybersecurity controls, assess and report on cybersecurity risks and consult with the Company's internal Enterprise Risk Management Committee, a decision-making body which supports and oversees the identification, assessment, prioritization, and mitigation strategies for enterprise-level risks, including cybersecurity risks. The CISO has over 25 years of work experience in the information technology, physical security and cybersecurity fields, including previously serving as the Company's Chief Security Officer, and holds the Certified Protection Professional, Professional Certified Investigator and Physical Security Professional certifications from ASIS International. The CISO serves on the Water Sector Coordinating Council ("WSCC"), an advisory body comprised of representatives from various U.S. water and wastewater organizations, which serves as a policy, strategy and coordination mechanism for the water sector on critical infrastructure security and resilience issues. In that role, the CISO partners with representatives from the Department of Homeland Security and the EPA on U.S. water and wastewater sector initiatives. The CISO is also the former Chair of the WSCC, the National Association of Water Companies' Safety and Security Committee, and the ASIS Utility Security Council. The CISO reports directly to the Company's Chief Technology and Information Officer, who is responsible for the Company's information technology program.

The Company's security team provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company's operations. It is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company's physical assets, business systems and operational technologies. The Company's security team also conducts annual and ongoing cybersecurity awareness training and education for the Company's employees. In 2024, 100% of the Company's active workforce completed mandatory cybersecurity training. By equipping employees with knowledge and skills, the Company strives to cultivate and maintain a cybersecurity-conscious culture within its workforce.

The Company's cybersecurity risk assessment process involves considering risks associated with the nature of its business, receiving and processing inputs from internal and external stakeholders, monitoring industry trends and risks and engaging external advisors, to assist in aligning the Company's cybersecurity processes with industry best practices. Risk assessments are conducted quarterly and annually to evaluate the effectiveness of the Company's existing security controls and serve as the basis for additional safeguards, security controls and measures. Operational and technical security controls are deployed and integrated as safeguards against unauthorized access to the Company's information systems. These controls are aimed at (i) assuring the continuity of business processes that are dependent upon automation, (ii) maintaining the integrity of the Company's data, (iii) supporting regulatory and legislative compliance requirements, and (iv) maintaining safe and reliable service to the Company's customers.

The Company has also implemented a vulnerability assessment program that is reviewed at least annually and more frequently, depending on changes to the risk environment. This process serves as a guiding enterprise-wide framework to outline the scope and procedures of the Company's cybersecurity risk management processes. By prioritizing vulnerability management and continuously evaluating the Company's internal and external environments for vulnerabilities, the Company aims to implement preventative measures to protect its information assets and technology-based infrastructure from cybersecurity threats. This approach helps to reduce the Company's exposure to material cybersecurity threat risks.

Incident Response

The Company utilizes an established internal framework designed to assess promptly the severity and materiality of cybersecurity incidents based on predefined quantitative and qualitative criteria and to determine the appropriate level of response. Incidents are escalated to the relevant management teams based on their severity and materiality for prompt response and mitigation. The Company maintains a standing crisis response team comprised of individuals from various functional units, including without limitation Information Technology, Legal, Finance, Enterprise Risk Management, Operations and Communications, to respond to cybersecurity and physical security incidents, environmental incidents and health and safety emergencies, among others.

When a cybersecurity incident occurs, the Company establishes a cross-functional incident response team to respond to the specific cybersecurity incident. The incident response team consists of a subset of members from the standing crisis response team, including personnel with the most relevant experience related to the specific incident. This collaborative approach is intended to enable the Company to leverage expertise throughout the business to address cybersecurity events and to evaluate the potential financial, legal, operational and reputational implications of an incident, or series of related incidents. In considering the materiality of an event, related attacks, whether in terms of quantity or impact, are reviewed individually and in the aggregate to determine whether they may have a significant impact on the Company's financial condition, results of operations or business strategy, either quantitatively or qualitatively.

Cybersecurity Governance

The Board of Directors is responsible for oversight of the Company's cybersecurity program and the Company's responses to cybersecurity risk. The Board of Directors has delegated to its SETO Committee responsibility for the oversight and review of technology policy, strategy and governance, and cybersecurity issues that could impact the Company's operational performance or risk profile. The SETO Committee meets at least quarterly and receives reports related to cybersecurity threats, trends and risks, and related mitigation activities. In addition, the SETO Committee and the Board of Directors receive reports of periodic external assessments and internal testing of the effectiveness of the Company's cybersecurity program. The SETO Committee coordinates with the Audit, Finance and Risk Committee, as appropriate, on matters related to cybersecurity risk. The Audit, Finance and Risk Committee is responsible for, among other things, overseeing the adequacy and effectiveness of the Company's system of internal controls and the Company's risk assessment and management strategy, including with respect to cybersecurity risks.

ITEM 2. PROPERTIES

The Company's properties consist primarily of (i) water and wastewater treatment plants, (ii) mains and pipes used for transmission, distribution and collection of water and wastewater, (iii) wells and other sources of water supply, such as reservoirs, (iv) water and wastewater pumping stations, (v) meters and fire hydrants, (vi) general structures, including buildings, dams and treated water storage facilities, (vii) land and easements, (viii) vehicles, (ix) software rights, and (x) other equipment and facilities, the majority of which are used directly in the operation of its systems. Substantially all of the Company's properties are owned by its subsidiaries, with a large percentage subject to liens of its mortgage bonds. A wholly owned subsidiary of parent company owns the Company's corporate headquarters, located in Camden, New Jersey, and the Company and its operating subsidiaries lease office space, equipment and furniture from certain of the Company's wholly owned subsidiaries. These properties are utilized by the Company's directors, officers and staff in the conduct of the business.

The properties of the Company's Regulated Businesses consist mainly of approximately:

- 80 surface water treatment plants;
- 520 groundwater treatment plants;
- 190 wastewater treatment plants;
- 54,500 miles of transmission, distribution and collection mains and pipes;
- 1,200 groundwater wells;
- 1,800 water and wastewater pumping stations;
- 1,100 treated water storage facilities; and
- 75 dams.

The Company has ongoing infrastructure renewal programs in all states in which its Regulated Businesses operate. These programs consist of both the rehabilitation of existing mains and equipment, and the replacement of mains and equipment that have been damaged or have reached, or are near, the end of their useful service lives. The properties within Other consist mainly of office furniture and IT equipment. Approximately 50% of all properties that the Company owns are located in New Jersey and Pennsylvania.

The Company maintains property insurance against loss or damage to its properties by fire or other perils, subject to certain exceptions. For insured losses, the Company is self-insured to the extent that any losses are within the policy deductible or exceed the amount of insurance maintained.

The Company believes that its properties are generally maintained in good operating condition and in accordance with current standards of good water and wastewater industry practice.

ITEM 3. LEGAL PROCEEDINGS

Set forth below is information related to the Company's material pending legal proceedings as of February 19, 2025, other than ordinary routine litigation incidental to the business, required to be disclosed in this Annual Report on Form 10-K. The information below should be read together with Note 16 —Commitments and Contingencies in the Notes to the Consolidated Financial Statements. In accordance with the SEC's disclosure rules, the Company has elected to disclose environmental proceedings involving the Company and a governmental authority if the amount of potential monetary sanctions, exclusive of interest and costs, that the Company reasonably believes will result from such proceeding is $1 million or more**.**

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with SWRCB Orders to Reduce Carmel River Diversions

Under the 2009 Order, Cal Am is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. See Item 1—Business—Regulated Businesses—Water Supply and Wastewater Services and Item 1A—Risk Factors. The 2009 Order responded to claims that Cal Am had not sufficiently implemented actions to terminate its unpermitted diversions of water from the Carmel River as required by the 1995 Order issued by the SWRCB. In July 2016, at the request of Cal Am and several Monterey County government agencies, the SWRCB issued the 2016 Order approving a deadline of December 31, 2021, for Cal Am's compliance with the 2009 Order.

The 2009 Order includes a condition prohibiting Cal Am from diverting water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use. In 2011, the California Public Utilities Commission (the "CPUC") issued a decision directing modifications in Cal Am's tariffs to recognize the moratorium mandated by the 2009 Order, and directing Cal Am to seek written guidance from the SWRCB with respect to any unresolved issues of interpretation or implementation of this condition. In 2012, the Deputy Director of the SWRCB sent a letter to Cal Am providing an interpretation as to the calculation of a baseline to determine increases in use of water at existing service addresses. In March 2018, the MPWMD adopted a resolution directing Cal Am to interpret the baseline in a manner that conflicts with the SWRCB's written interpretation. In May 2018, Cal Am notified the MPWMD and the SWRCB that it intends to seek declaratory relief concerning the conflicting regulatory interpretations under the 2009 Order. In an attempt to resolve these conflicting interpretations prior to seeking judicial intervention, Cal Am has met with the MPWMD and the SWRCB several times. The SWRCB agreed to circulate revisions to its 2012 interpretive letter, which would be subject to a public comment period. Any failure to follow the MPWMD's resolution or the SWRCB's written interpretation, despite these conflicting interpretations, could potentially result in fines, penalties and other actions against Cal Am.

Following issuance by the California Coastal Commission (the "Coastal Commission") in November 2022, of a coastal development permit, as described below, Cal Am continues to work constructively with all appropriate agencies to obtain the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2024, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2025, and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the reduction or exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The 2009 Order and the 2016 Order remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the 2009 Order and the 2016 Order in the future may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the 2009 Order and the 2016 Order.

Monterey Peninsula Water Supply Project

CPUC Final Approval of Water Supply Project

Cal Am's ability to move forward on the Water Supply Project is and has been subject to extensive administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs plus AFUDC, subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a CPCN and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, O&M costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $281 million in aggregate costs as of December 31, 2024, related to the Water Supply Project, which includes $88 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project, which is not expected to produce additional water until late 2025 at the earliest. The amended and restated water purchase agreement for the GWR Project expansion is subject to review and approval of the CPUC, and in November 2021, Cal Am filed an application with the CPUC that sought review and approval of the amended and restated water purchase agreement. Cal Am also requested rate base treatment of the additional capital investment for certain Cal Am facilities required to maximize the water supply from the expansion to the GWR Project and a related Aquifer Storage and Recovery Project, totaling approximately $81 million. This requested amount was in addition to, and consistent in regulatory treatment with, the prior $50 million of cost recovery for facilities associated with the original water purchase agreement, which was approved by the CPUC in its unanimous 2016 final decision.

On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities.

On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022 final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing but adopting its proposed AFUDC for already incurred and future costs. The decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings in this proceeding were held in March 2024. This matter remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the 2009 Order and the 2016 Order, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023, rehearing decision. See Note 16—Commitments and Contingencies in the Notes to the Consolidated Financial Statements for further discussion.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. Cal Am continues to seek the remaining permits necessary to construct the Water Supply Project.

In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency ("GSA"), and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of slant wells for the Water Supply Project. Cal Am is named as a real party in interest. On April 24, 2024, the court granted defendants' motion for judgment on the pleadings and dismissed one of MCWD's causes of action in its petition. A trial commenced on December 9, 2024, and further proceedings continued in January 2025. This matter remains pending.

Subject to the impact or resolution of this litigation, construction of the desalination plant is expected to begin in 2025 and the desalination plant is estimated to be in-service by the end of 2027.

Proposed Zoning Changes at CEMEX, Inc. Site for Slant Wells

In August 2018, the City circulated a public review draft of proposed amendments to its local coastal program and zoning ordinance, and placed the matter for consideration on the Planning Commission's agenda for its September 2018 meeting. The proposed amendments would change zoning at a site owned by CEMEX, Inc. ("CEMEX") to open space and restrict future uses, including with respect to Cal Am's planned use of the site for the slant wells for the Water Supply Project. Any change to the City's local coastal program must ultimately be approved by the Coastal Commission. Cal Am, CEMEX and the Coastal Commission each submitted letters opposing the proposed amendments. At its November 2018 meeting, the Planning Commission adopted a resolution recommending that the Marina City Council consider approving the amendments.

In December 2018, the Marina City Council considered the proposed amendments. Cal Am, CEMEX and the Coastal Commission again submitted letters opposing the proposed changes, but the City Council unanimously adopted a resolution amending its local coastal plan and a draft amendment to its zoning ordinance. Changes to the ordinance require a second reading before becoming final, which occurred at the City's December 2018 meeting. The changes to the local coastal plan would need to be submitted to the Coastal Commission for approval; however, the Coastal Commission's November 2022 approval of Cal Am's coastal development permit application has rendered moot the impact of these proposed local coastal program and zoning changes on the issuance of the coastal development permit.

Test Slant Well Permitting

A preliminary step to building the Water Supply Project desalination plant is the construction and operation of a test slant well to confirm the suitability of the property on which intake wells will be located to draw water from under Monterey Bay. In November 2014, the Coastal Commission approved coastal development permits for the test slant well, enabling Cal Am to construct and operate the test slant well. Effective February 28, 2018, test slant well pumping ceased, except for minimal maintenance pumping activities, in accordance with Cal Am's coastal development permits. Because Cal Am may use the test slant well as one of the slant wells for the Water Supply Project, Cal Am sought and obtained from the Coastal Commission permit amendments to allow the test slant well to remain in place and be maintained until February 28, 2026. A required lease obtained from the California State Lands Commission, as amended, expires on December 16, 2027.

Water Supply Project Land Acquisition and Slant Well Site Use

In July 2017, the Coastal Commission adopted a consent agreement and cease and desist order requiring sand mining operations on the property owned by CEMEX on which intake wells for the Water Supply Project will be located, to cease by the end of 2020 and the property to be sold to either a non-profit or governmental entity. The consent agreement strictly limits future use of the property but preserves Cal Am's existing property rights and allows uses consistent with existing easements and other rights of record. A permanent easement granted by CEMEX to Cal Am was recorded in June 2018 to allow Cal Am access to the property and to construct, operate and maintain the Water Supply Project intake wells. In November 2019, the City notified CEMEX that, based on this permanent easement and Cal Am's proposed use of the site for the intake wells, CEMEX has breached or will soon breach a prior 1996 annexation agreement (to which Cal Am was not a party). The City states that it intends to seek declaratory relief from CEMEX and Cal Am ordering that Cal Am's extraction is limited to 500 acre-feet per year of groundwater, that Cal Am cannot export extracted water out of the basin, and that the permanent easement granted by CEMEX to Cal Am is void. CEMEX has denied the City's claims and requested indemnification from Cal Am under the terms of the permanent easement. Cal Am and CEMEX believe that there is no valid limitation under the annexation agreement on Cal Am's right to pump brackish groundwater and seawater at the site for desalination and use by Cal Am's customers.

In May 2020, the City filed a lawsuit in Monterey County Superior Court, naming Cal Am and CEMEX as defendants, and Monterey County Water Resources Agency ("MCWRA") and MCWD as real parties in interest. The lawsuit, as amended, alleges a claim for breach of contract against CEMEX and seeks declaratory relief to void the permanent easement and prohibiting extraction of water by Cal Am's slant wells at the CEMEX site in excess of 500 acre-feet per year and the export of such water outside the groundwater basin. In November 2020, Cal Am, CEMEX and MCWRA filed demurrers, which were overruled by the court at a hearing held in February 2021.

In August 2020, MCWD filed a cross-complaint in the May 2020 lawsuit against Cal Am, CEMEX and MCWRA, alleging claims for specific performance of certain provisions of the 1996 annexation agreement related to the property owned by CEMEX on which intake wells for the Water Supply Project will be located, as well as claims of water rights, nuisance and unreasonable water use, and seeking additional declaratory relief. Following various rulings on demurrers filed by Cal Am, CEMEX and MCWRA, in February 2021, the court sustained, without leave to amend, the demurrer to MCWD's nuisance claim and overruled the remainder of the demurrers. In October 2021, the court granted a motion filed by Cal Am related to MCWD's cross-complaint, which motion requested a referral of certain issues related to MCWD's water rights and unreasonable use claims to the SWRCB for its expert advisory opinion. The SWRCB held hearings in 2022 and 2023, on the referred issues before its administrative hearing officer. On September 19, 2024, the SWRCB administrative hearing officer sent a letter to the court advising that the full draft report of the SWRCB advisory opinion addressing the questions referred by the court would not be received until at least November 1, 2024. On November 22, 2024, the administrative hearing officer sent a second letter to the court advising that the draft report would be considered for approval at a public meeting of the SWRCB to be held in the first quarter of 2025. On December 31, 2024, an initial draft report was circulated by the SWRCB to the parties for review and comment.

Regional Water Quality Control Board Approval of NPDES Permit Amendment

A requirement of the desalination plant that is a key component of the Water Supply Project is the discharge of brine through Monterey One Water's outfall. As a condition to Cal Am's coastal development permit, an amendment of a NPDES permit must be obtained by Monterey One Water as the outfall owner from the Regional Water Quality Control Board (the "RWQCB"). The RWQCB must also determine that the proposed brine discharge complies with the desalination facility requirements under the California Ocean Plan. Working in cooperation with Monterey One Water staff and consultants, Cal Am prepared an application for submission to the RWQCB, which application and submission were approved by Monterey One Water's Board on September 30, 2024.

Challenges Related to Compliance with California's Sustainable Groundwater Management Act

Under California's Sustainable Groundwater Management Act ("SGMA") enacted in 2015, groundwater basins designated by the state as critically overdrafted must be managed by a GSA by 2020 in accordance with an approved groundwater sustainability plan ("GSP") designed to achieve sustainability by 2040. Under the SGMA, GSAs have broad powers to achieve sustainability including, but not limited to, regulating groundwater extraction by imposing fees on groundwater extractions and controlling groundwater extractions by regulating, limiting or suspending extractions from wells. The 400-acre CEMEX site overlies a small portion of the 180/400 Subbasin of the Salinas Valley Groundwater Basin; the 84,000-acre 180/400 Subbasin has been designated by the state as critically overdrafted, mainly due to seawater intrusion into the subbasin.

In late 2016, the Salinas Valley Basin Groundwater Sustainability Agency (the "SVBGSA") was formed as a joint powers authority to become the GSA for the Salinas Valley Groundwater Basin and prepare a GSP. In April 2018, the City filed a notice to become the GSA for the CEMEX site, creating an overlap with the SVBGSA's filing for the 180/400 Subbasin. In 2016, the SVBGSA commenced preparation of a GSP covering the entire 180/400 Subbasin, including the CEMEX site, but in August 2019 the City filed a notice that it intends to prepare its own GSP for the CEMEX site with the intent to severely limit or prohibit groundwater pumping at that site. The State Department of Water Resources ("SDWR") has taken the position that until the overlap is resolved, it will not accept the GSP from either agency, placing the subbasin at risk of being placed in a probationary status and subject to state management. In December 2019, the County of Monterey filed its own notice to become the exclusive GSA at the CEMEX site in order to resolve the overlap, which is permitted under SGMA. SDWR accepted Monterey County's filing in December 2019, and now lists Monterey County as the exclusive GSA for the site.

In December 2019, the City filed a lawsuit in Monterey County Superior Court challenging Monterey County's filing, and SDWR's acceptance of the filing, as the exclusive GSA for the CEMEX site. The City has named Monterey County and its Board of Supervisors, its GSA, and SDWR and its director as defendants, and the SVBGSA and its Board of Directors as real parties. The City seeks to invalidate Monterey County's filing, as well as injunctive relief to preserve the City's status as a GSA for the site. To protect its interest in the matter, Cal Am filed an application to intervene in this lawsuit, which was granted. Monterey County filed cross-claims against the City and SDWR. In September 2020, Cal Am filed a separate but related complaint in Monterey County Superior Court challenging the validity of actions taken by the City and its GSA in adopting a groundwater sustainability plan for the CEMEX site, and the validity of the provisions of such plan. Due to the overlap of issues in the City's lawsuit with those in the validation action, the parties stipulated to a stay of the validation action pending determination of the claims in the City's action, which was approved by the court in December 2020. In February 2021, the City filed a separate but related *in rem* reverse validation complaint challenging the adoption by Monterey County of a GSP for the CEMEX site. On May 3, 2023, the City filed a second reverse validation complaint, challenging the adoption of amendments to the GSP for the 180/400 Subbasin.

After a hearing, in August 2021, the court denied the claims brought by the City and granted Monterey County's cross-claims, finding that the City's GSA notice was untimely, the Monterey County GSA was the exclusive GSA for the CEMEX site, and the SVBGSA's GSP was properly adopted for the entire 180/400 Subbasin, including the CEMEX site. In November 2021, the City appealed this decision, and in December 2021, Monterey County appealed the court's decision as to the finding that the City's action creating a GSA was not void. The related validation and reverse validation actions remain stayed during the pendency of the appeal. On November 13, 2023, the California Court of Appeal affirmed the trial court's decision. On December 22, 2023, the City filed a petition for review with the California Supreme Court, which was denied on February 24, 2024. On October 31, 2024, the parties entered into an agreement settling the stayed validation complaints and all claims for attorneys' fees and costs. The validation complaints were subsequently dismissed.

Cal Am's Action for Damages Following Termination of Regional Desalination Project ("RDP")

In 2010, the CPUC had approved the RDP, which was a precursor to the current Water Supply Project and called for the construction of a desalination facility in the City of Marina. The RDP was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among MCWD, Cal Am and MCWRA. In 2011, due to a conflict of interest concerning a former member of MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In ensuing litigation filed by Cal Am in 2012 to resolve the termination of the RDP, the court in 2015 entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line agreement, is not void. As a result of this litigation, Cal Am was permitted to institute further proceedings, discussed below, to determine the amount of damages that may be awarded to Cal Am as a result of the failure of the RDP.

In 2015, Cal Am and MCWRA filed a complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm ("RMC"), seeking to recover compensatory, consequential and incidental damages associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. In 2019, MCWD was granted a motion for summary judgment related to the tort claims in the complaint. A settlement as to the non-tort claims was finalized and entered into in March 2020, in which MCWD and RMC paid Cal Am an aggregate of $5.2 million to resolve Cal Am's contract claims against MCWD and all claims against RMC relating to the RDP. Under this agreement, Cal Am's and MCWRA's right to appeal the dismissal of their tort claims against MCWD were expressly reserved.

In July 2020, Cal Am appealed the grant of summary judgment on MCWD's tort claims, and in December 2022, the trial court's decision was reversed on appeal with instructions to vacate its prior orders granting MCWD's motions for summary judgment and to enter new orders denying the motions. In February 2023, MCWD filed a petition for review of the appellate decision with the California Supreme Court, which was denied in March 2023. On June 27, 2024, MCWD filed a motion for judgment on the pleadings. Following a hearing, on December 5, 2024, the court granted MCWD's motion without leave to amend, dismissing all of Cal Am's remaining claims. Final judgment was entered on January 7, 2025. Cal Am intends to file a notice of appeal of the trial court's decision.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

In November 2018, voters in Monterey, California passed "Measure J," which decided that the MPWMD should conduct a feasibility study concerning the potential purchase of Cal Am's Monterey system assets, and, if feasible, to proceed with a purchase of those assets without an additional public vote. This service territory represents approximately 40,000 customers. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (i) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (ii) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (iii) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (i) acquire the Monterey system assets through the power of eminent domain, if necessary, and (ii) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey system assets) and, if requested, to re-hear the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, each of Cal Am and LAFCO filed a notice of appeal with the California Court of Appeal regarding the Monterey County Superior Court's decision to issue the writ of mandate. The MPWMD filed a notice of cross-appeal on February 15, 2024. Cal Am is evaluating potential additional actions to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

MPWMD Condemnation Action

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requested access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets.

On December 15, 2023, the MPWMD filed a lawsuit against Cal Am in Monterey County Superior Court seeking to condemn the Monterey system assets. On February 26, 2024, Cal Am filed a motion requesting the Monterey County Superior Court dismiss the MPWMD's eminent domain lawsuit seeking to condemn Cal Am's Monterey system assets. Cal Am's motion asserted that the MPWMD lacks legal authorization from both the California legislature and LAFCO to become a retail water provider and the lawsuit improperly seeks to effect a taking of property outside the boundaries of the MPWMD's territory. Hearings on the motion were held on May 3, 2024, and August 23, 2024. On November 14, 2024, the court issued a final ruling denying Cal Am's motion to dismiss. Cal Am filed its answer to the complaint on December 13, 2024. This matter remains pending.

While the Company cannot currently predict the outcome of this lawsuit, the Company believes that, given existing legal authorities and its other defenses, Cal Am should be able to defend itself successfully against the MPWMD's eminent domain lawsuit.

Dunbar, West Virginia Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by West Virginia-American Water Company, the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. Trial in this matter had been scheduled for January 2025.

On January 17, 2025, before trial commenced, the parties notified the Circuit Court that an agreement in principle to settle this litigation was reached among the parties. Under the terms of the agreement in principle and any subsequent proposed settlement agreement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The proposed maximum pre-tax amount of the settlement is approximately $18 million, of which the Company currently estimates that approximately $5 million would be contributed by the Company and WVAWC, and the remainder would be contributed

by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through this settlement will depend upon the claims submitted and approved through a claims process to be negotiated by the parties and approved by the Circuit Court. The parties will next negotiate and enter into a proposed settlement agreement based on the terms of the agreement in principle, and the proposed settlement agreement will be subject to preliminary and final approvals by the Circuit Court.

The final amount of the Company's and WVAWC's contributions to the settlement remains subject to uncertainty; however, the Company does not currently anticipate that Company's maximum liability for the settlement will materially exceed $5 million. As a result, the Company has recorded a charge to earnings, net of insurance receivables, of $5.0 million ($3.9 million after-tax) in the fourth quarter of 2024. The Company intends to fund its and WVAWC's contributions to the settlement through existing sources of liquidity, although no contribution by the Company or WVAWC will be required unless and until a proposed settlement agreement has been entered into and finally approved by the Circuit Court.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, Tennessee-American Water Company, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and Service Company (collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest. In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. In January 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. In February 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. In September 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. In October 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On June 14, 2024, the court issued its written order denying the Tennessee Plaintiffs' amended class and incorporating its denial of certification of the original residential class. On June 21, 2024, the Tennessee Plaintiffs appealed both of the court's orders denying class certification. This appeal remains pending.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint, and TAWC will continue to vigorously defend itself against these allegations.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,500 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha

County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits, with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the class action lawsuits before a single judge in Kanawha County Circuit Court. On June 14, 2024, the judge in the *Ruffin* case partially granted the motion by transferring all of the four class action lawsuits to her court but deferring as premature consolidation of the cases.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. On March 6, 2024, the motion to transfer this complaint to the West Virginia Business Court was granted and trial and resolution judges were assigned. Mountaineer Gas voluntarily dismissed its implied indemnity count against WVAWC, rendering moot WVAWC's partial motion to dismiss, and on May 31, 2024, WVAWC answered the complaint. The Business Court has set a trial date of October 7, 2025, for this matter.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three class action lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. Mountaineer Gas subsequently voluntarily dismissed its cross-claims. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. On February 19, 2024, Mountaineer Gas filed a motion opposing the referral of the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On May 31, 2024, the West Virginia Supreme Court denied the motion seeking referral. The Kanawha County Circuit Court has set a trial date of February 2, 2026, for the class action complaints.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 in damages per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. In light of the diminishing number of new claims that had been filed, the claims process was concluded on March 8, 2024. As of December 31, 2024, a total of 594 Mountaineer Gas customers completed this claims process and each of those customers has been paid by WVAWC an average of approximately $1,500. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the Public Service Commission of West Virginia (the "WVPSC") issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation.

On April 24, 2024, the staff issued a final joint memorandum in the Mountaineer Gas general investigation stating its view that Mountaineer Gas responded appropriately, reasonably and according to Mountaineer Gas's written procedures. The staff is making no recommendations for improvements to Mountaineer Gas and is recommending that the Mountaineer Gas general investigation be closed. On July 24, 2024, the staff issued a final joint memorandum in the WVAWC general investigation finding no indication of systematic failure by WVAWC and concluding WVAWC's maintenance and operating procedures were adequate to ensure safe and reliable service, subject to the implementation by WVAWC of three recommended operational improvements. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has valid, meritorious defenses to such claims. WVAWC continues to defend itself vigorously in these litigation proceedings. Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above.

PFAS Multi-District Litigation

Several of the Company's utility subsidiaries are parties to a multi-district litigation (the "MDL") lawsuit, which commenced on December 7, 2018, in U.S. District Court for the District of South Carolina, against manufacturers of certain PFAS for damages, contribution and reimbursement of costs incurred and continuing to be incurred to address the presence of such PFAS in public water supply systems owned and operated by these utility subsidiaries and throughout their service areas. Settlements with several defendants in the MDL proceeding have received final approval by the MDL court. In the third quarter of 2024, the Company timely submitted to the MDL court its Phase One claims forms under settlement agreements with defendants 3M Company, The Chemours Company, Corteva, Inc. and DuPont de Nemours, Inc.

On November 22, 2024, the MDL court granted final approval to settlements with defendants Tyco Fire Products LP and BASF Corporation. The Company's utility subsidiaries have determined to remain parties to these class action settlements, and the Company has begun the process of perfecting its claims under each settlement within the time periods provided by the MDL court.

Cybersecurity Incident Class Action Lawsuits

Following the Company's previously reported October 3, 2024, cybersecurity incident, nine putative class action lawsuits against parent company have been filed in the U.S. District Court for the District of New Jersey. All of the putative plaintiffs seek to certify a nationwide class and several of the plaintiffs seek to certify a state-specific subclass. The complaints allege primarily negligence, breach of implied contract, and claims of violations of federal and/or state consumer protection and data privacy law and seek damages and injunctive relief. On February 14, 2025, the court granted a motion to consolidate the nine current pending class actions. This consolidated matter remains pending. The Company believes that the causes of action and other claims asserted in the class action complaints are without merit and that the Company has valid, meritorious defenses to such claims, and the Company is defending itself vigorously.

General

Periodically, the Company is involved in other proceedings or litigation arising in the ordinary course of business. Other than those proceedings described in this Item 3—Legal Proceedings, the Company does not believe that the ultimate resolution of these matters will materially affect its financial position or results of operations. However, litigation and other proceedings are subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is possible that some litigation and other proceedings could be decided unfavorably to the Company, and that any such unfavorable decisions could have a material adverse effect on its business, financial condition, results of operations and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Since April 23, 2008, the Company's common stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AWK." As of February 10, 2025, there were 194,947,313 shares of common stock outstanding held by approximately 1,922 record holders. Holders of the Company's common stock are entitled to receive dividends when they are declared by its Board of Directors. See Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information regarding the Company's dividends.

In February 2015, the Board of Directors authorized an anti-dilutive stock repurchase program to mitigate the dilutive effect of shares issued through the Company's dividend reinvestment, employee stock purchase and executive compensation activities. The program allows the Company to purchase up to 10 million shares of its outstanding common stock over an unrestricted period of time in the open market or through privately negotiated transactions. The program is conducted in accordance with Rule 10b-18 of the Exchange Act, and, to facilitate these repurchases, the Company enters into Rule 10b5-1 stock repurchase plans with a third-party broker, which allow the Company to repurchase shares of its common stock at times when it otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Subject to applicable regulations, the Company may elect to amend or cancel the program or the stock repurchase parameters at its discretion to manage dilution.

From April 1, 2015, the date repurchases under the anti-dilutive stock repurchase program commenced, through December 31, 2024, the Company repurchased an aggregate of 4,860,000 shares of its common stock under the program, leaving an aggregate of 5,140,000 shares available for repurchase under this program. There were no repurchases of common stock in 2024.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read together with the Consolidated Financial Statements and the Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about the Company's business, operations and financial performance. The cautionary statements made in this Form 10-K should be read as applying to all related forward-looking statements whenever they appear in this Form 10-K. The Company's actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of a number of factors, including those that are discussed under "Forward-Looking Statements," Item 1A—Risk Factors and elsewhere in this Form 10-K. The Company has a disclosure committee consisting of members of senior management and other key employees involved in the preparation of the Company's SEC reports. The disclosure committee is actively involved in the review and discussion of the Company's SEC filings. For a discussion and analysis of the Company's financial statements for fiscal 2023 compared to fiscal 2022, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 14, 2024.

Overview

American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. The Company employs approximately 6,700 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers, collectively presented as the "Regulated Businesses." The Company's utilities operate in 14 states in the United States, with 3.5 million active customers with services provided by its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by PUCs. The Company also operates other businesses not subject to economic regulation by state PUCs that provide water and wastewater services to the U.S. government on military installations, as well as municipalities, collectively presented throughout this Form 10-K within "Other." See Item 1—Business for additional information.

Selected Financial Data

This selected financial data below should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in this Annual Report on Form 10-K as well as the remainder of this Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations.

	For the Years Ended December 31,				
(In millions, except per share data)	**2024**	**2023**	**2022**	**2021**	**2020**
Statement of Operations data:					
Operating revenues	$ 4,684	$ 4,234	$ 3,792	$ 3,930	$ 3,777
Net income attributable to common shareholders	1,051	944	820	1,263	709
Net income attributable to common shareholders per basic common share	5.39	4.90	4.51	6.96	3.91
Net income attributable to common shareholders per diluted common share	5.39	4.90	4.51	6.95	3.91
Balance Sheet data:					
Total assets	$ 32,830	$ 30,298	$ 27,787	$ 26,075	$ 24,766
Long-term debt and redeemable preferred stock at redemption value	12,521	11,718	10,929	10,344	9,333
Other data:					
Cash dividends declared per common share	$ 3.06	$ 2.83	$ 2.62	$ 2.41	$ 2.20
Net cash provided by operating activities	2,045	1,874	1,108	1,441	1,426
Net cash used in investing activities	(3,379)	(2,815)	(2,127)	(1,536)	(2,061)
Net cash provided by (used in) financing activities	1,110	1,188	1,000	(345)	1,120
Capital expenditures included in net cash used in investing activities	(2,856)	(2,575)	(2,297)	(1,764)	(1,822)

Financial Results

For the years ended December 31, 2024, 2023 and 2022, diluted earnings per share (GAAP) were $5.39, $4.90 and $4.51, respectively. Increased results were driven primarily by the implementation of new rates in the Regulated Businesses from capital and acquisition investments. Results also reflect increased production and employee-related costs, increased depreciation and higher financing costs used to fund the current capital investment plan. Results for 2024 and 2023 reflect the net favorable impact of warmer, drier weather compared to normal, estimated at $0.12 per share, and $0.13 per share, respectively. Results for 2024 include incremental interest income of $0.09 per share, resulting from the early 2024 amendment to the secured seller note from the sale of the former HOS business.

Growth Through Capital Investment in Infrastructure and Regulated Acquisitions

The Company continues to grow its businesses, with the substantial majority of its growth to be achieved in the Regulated Businesses through (i) continued capital investment in the Company's infrastructure to provide safe, clean, reliable and affordable water and wastewater services to its customers, (ii) regulated acquisitions to expand the Company's services to new customers and (iii) organic growth in existing systems. In 2024, the Company invested $3.3 billion, in the Regulated Businesses, as discussed below:

- $2.8 billion capital investment in the Regulated Businesses, for infrastructure improvements and replacements; and
- $417 million to fund acquisitions in the Regulated Businesses, which added approximately 69,500 customers during 2024. This includes the acquisitions by the Company's Pennsylvania subsidiary of the wastewater collection and treatment system assets from the Butler Area Sewer Authority on October 29, 2024, for a cash purchase price of $230 million, which added approximately 15,000 customer connections, and by the Company's Illinois subsidiary of a wastewater treatment plant and related assets from Granite City on March 11, 2024, for a cash purchase price of $86 million, which added approximately 26,000 wastewater customers, including 15,500 customers indirectly in surrounding communities.
- Approximately 19,400 new customers were added through organic growth in existing systems.

The Company expects to invest between $17 billion to $18 billion over the next five years, and between $40 billion to $42 billion over the next 10 years, including $3.3 billion in 2025. The Company's expected future investments include:

- capital investment for infrastructure improvements and replacements in the Regulated Businesses of between $15.5 billion to $16 billion over the next five years, and between $36 billion to $37 billion over the next 10 years; and
- growth from acquisitions in the Regulated Businesses to expand the Company's water and wastewater customer base of between $1.5 billion to $2 billion over the next five years, and between $4 billion to $5 billion over the next 10 years.

The Company estimates the expected capital investment for infrastructure improvements in its Regulated Businesses over the next ten years will be allocated to the following purposes: infrastructure renewal 68%; resiliency 10%; water quality, including capital expenditures related to PFAS 8%; operational efficiency, technology and innovation 6%; system expansion 5%; other 3%.

As of December 31, 2024, the Company had entered into 17 agreements with a total aggregate purchase price of $105 million for pending acquisitions in the Regulated Businesses to add approximately 24,200 additional customers.

In December 2020, the Company's Pennsylvania subsidiary entered into an agreement (an acquisition intended to comply with Act 12 (discussed below)) to acquire the wastewater collection system assets of Brentwood Borough ("Brentwood") for a purchase price of approximately $19 million. On February 22, 2024, the Pennsylvania Public Utility Commission (the "PaPUC") denied the Pennsylvania subsidiary's application to acquire Brentwood. On April 3, 2024, the Pennsylvania subsidiary filed an appeal of the decision with the Pennsylvania Commonwealth Court, asserting, among other things, the PaPUC did not apply the correct legal standard in its decision. The Company cannot currently predict the outcome of this appeal, and the matter remains pending.

On July 2, 2024, the PaPUC issued the Final Supplemental Implementation Order ("FSIO"), which makes certain changes to the process by which the PaPUC considers and decides applications to acquire water and wastewater assets under Pennsylvania's existing utility valuation law, known as Act 12 of 2016 ("Act 12"). The FSIO includes, among other things, a reasonableness review ratio that would be applied to help guide the determination on the overall prudency of the transaction and reasonableness of the purchase price. The provisions of the FSIO are not retroactive and apply to acquisition applications filed after July 2, 2024. The Company cannot currently predict the impact of the FSIO, but the Company intends to continue to support outcomes that allow for consolidation and investment in water and wastewater infrastructure in Pennsylvania and in its other regulated jurisdictions.

Other Matters

Environmental, Health and Safety, and Water Quality Regulation

On April 10, 2024, the EPA announced a final NPDWR for six PFAS including PFOA, PFOS, PFNA, HFPO-DA, PFHxS, and PFBS. The NPDWR for PFAS establishes MCLs, for PFAS in drinking water. Utilities will be required to complete their initial monitoring for PFAS by 2027, followed by ongoing compliance monitoring. Utilities will be required to comply with the new MCLs by April 2029, implementing solutions to reduce PFAS levels where needed. Beginning in April 2029, utilities that exceed any of the PFAS MCLs will be required to provide notification to the public of the violation.

The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities in order to comply with the new regulations by April 2029. Additionally, the Company estimates that it will incur annual operating expenses of up to approximately $50 million related to testing and treatment, with the majority of the operating expenses beginning near the April 2029 compliance deadline. The actual level of capital investment and expenses may differ from these estimates and will be dependent upon market dynamics upon implementation of solutions to comply with the NPDWR for PFAS.

The Company has entered into a nine-year exclusive contract with a third-party vendor to supply granular activated carbon, equipment and reactivation services to more than 50 of the Company's treatment sites across 10 states through 2033. The equipment and services provided through the contract will aid the Company in treating drinking water to assist in complying with the NPDWR for PFAS.

The Company supports sound policies and compliance with the NPDWR for PFAS by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

On April 19, 2024, the EPA issued a final rule to designate PFOA and PFOS as hazardous substances under CERCLA. The Company, along with a coalition of other water and wastewater organizations, is actively advocating for and supporting bipartisan legislation that would provide PFAS liability protections under CERCLA for water and wastewater systems, as passive receivers of PFAS, and to hold polluters, and not the public or customers, accountable for PFAS-related liability.

On October 30, 2024, the EPA published the LCRI with a "Compliance Date" of November 1, 2027. The LCRI focus includes requirements related to (i) replacing all lead and certain galvanized service lines under a utilities control by October 30, 2037, 10 years from the Compliance Date; (ii) identifying the materials of all service lines of unknown material; (iii) improving tap sampling; (iv) lowering the lead action level; and (v) strengthening protections to reduce exposure. The LCRI also deferred the compliance date of certain requirements of the LCRR to allow for compliance with both new rules. The Company is in the process of developing an estimate of capital expenditures and operating costs needed to meet the specific requirements of the LCRI. Capital expenditures and operating costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates.

The Company continues to comply with the EPA's existing Lead and Copper Rule requirements by replacing lead service lines in accordance with current scientific guidance and utilizing appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

The Company met the LCRR requirements, effective October 16, 2024, identified as enforceable by the EPA. Remaining LCRR requirements are deferred under the LCRI.

Cybersecurity Incident

On October 3, 2024, the Company identified unauthorized activity within its information technology computer networks and systems, which was determined to be the result of a cybersecurity incident. Upon identification of this activity, the Company immediately activated its incident response protocols and third-party cybersecurity experts to assist with containment and mitigation activities and to investigate the nature and scope of the incident. The Company also promptly notified law enforcement and has coordinated fully with them. As part of the incident response, and in order to protect its systems and data, the Company disconnected and deactivated certain of its systems, which have since been reconnected and reactivated upon verification that those systems were secure.

All necessary containment, mitigation and restoration activities related to this incident have been completed. None of the Company's water or wastewater facilities were impacted by this incident, and the incident did not have a material effect on the Company or its financial condition or results of operations. In addition, a number of putative class action lawsuits have been filed in connection with this cybersecurity incident, primarily alleging claims related to federal and/or state consumer protection and data privacy laws, and while the Company believes the claims are without merit and is vigorously defending itself against these claims, it cannot currently predict the outcome or impact of these lawsuits. See Item 3—Legal Proceedings—Cybersecurity Incident Class Action Lawsuits for more information.

Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2024. The amounts include reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Kentucky	(a)	$ 17
New Jersey	September 15, 2024	80
Pennsylvania	August 7, 2024	99
Indiana, Step Increases	(b)	48
West Virginia	February 25, 2024	18
California	January 1, 2024	21
Total general rate case authorizations		$ 283

(a) In 2024, $6 million was effective November 6 and $11 million was effective May 3.

(b) In 2024, $23 million was effective May 10 and $25 million was effective February 21.

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2025. The amounts include reductions for the amortization of EADIT that are generally offset in income tax expense.

(In millions)	Effective Date	Amount
General rate cases by state:		
Tennessee	January 21, 2025	$ 1
Illinois	January 1, 2025	105
Total general rate case authorizations		$ 106

On January 21, 2025, the Tennessee Public Utility Commission (the "TPUC") approved a motion authorizing an adjustment of water base rates requested in a rate case filed on May 1, 2024, by the Company's Tennessee subsidiary. The TPUC approved an increase of $1 million in annualized revenues, excluding previously recovered infrastructure surcharges of $18 million, based on an authorized return on equity of 9.70%, authorized rate base of approximately $300 million, a common equity ratio of 44.19% and a debt ratio of 55.81%. This adjustment took effect on January 21, 2025, and is driven primarily by approximately $173 million in capital investments made and to be made by the Tennessee subsidiary through December 2025.

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company's Illinois subsidiary. The general rate case order approved an increase of $105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $5 million, based on an authorized return on equity of 9.84%, authorized rate base of $2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The general rate case order denied the second step increase of $16 million. The increase was effective January 1, 2025, and is driven primarily by approximately $557 million in capital investments made and to be made by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the CPUC approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company's California subsidiary's general rate case originally filed on July 1, 2022. Incorporating the currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of $21 million in the 2024 test year, and an estimated $16 million in the 2025 escalation year and $16 million in the 2026 attrition year. New rates were implemented retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On May 3, 2024, the Kentucky Public Service Commission (the "KPSC") issued an order approving the adjustment of base rates requested in a rate case filed on June 30, 2023, by the Company's Kentucky subsidiary. The general rate case order approved an $11 million annualized increase in water revenues, excluding infrastructure surcharge revenues of $10 million, which continue to be recovered in the Kentucky subsidiary's approved infrastructure mechanism. The annualized increase is based upon an authorized return on equity of 9.70%, authorized rate base of $489 million, which reflects capital investments through January 31, 2025, and a capital structure with a common equity ratio of 52.22%. Interim rates in this proceeding were effective on February 6, 2024, and the order required that the difference between interim and final approved rates be subject to refund no later than August 26, 2024. On May 16, 2024, the Kentucky subsidiary filed with the KPSC a petition for rehearing of the KPSC's order, seeking clarification and/or correction of certain computational inconsistencies that the Kentucky subsidiary believes are reflected in the KPSC's order with respect to the authorized amount of annualized revenues to be received by the Kentucky subsidiary. On November 6, 2024, the KPSC approved a final order (the "Final Order") providing for a $17 million annualized increase in water revenues, an increase of approximately $6 million from May 3, 2024. New rates provided in the Final Order were effective November 6, 2024.

On September 4, 2024, the New Jersey Board of Public Utilities ("NJBPU") issued an order approving without modification the stipulation of settlement of a general rate case filed on January 19, 2024, by the Company's New Jersey subsidiary. The general rate case order approved an $80 million annualized increase in the New Jersey subsidiary's water and wastewater revenues, effective September 15, 2024, based on (i) an authorized return on equity of 9.60%, (ii) an authorized rate base of $5.1 billion, (iii) a common equity ratio of 55.00%, and (iv) a long-term debt ratio of 45.00%. The annualized revenue increase is driven primarily by $1.3 billion of incremental capital investments since the New Jersey subsidiary's last general rate case. The New Jersey subsidiary will continue to defer as a regulatory asset or liability, as appropriate, until its next general rate case, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates.

On July 22, 2024, the PaPUC released an order approving the adjustment of base rates requested in a general rate case filed by the Company's Pennsylvania subsidiary on November 8, 2023. The PaPUC approved a $99 million annualized increase in the Pennsylvania subsidiary's water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $20 million, based on (i) an authorized return on equity of 9.45%, (ii) an authorized rate base of $5.8 billion, which reflects, as requested and included in the general rate case, approximately $1.0 billion in capital investments to be made through mid-2025, (iii) a common equity ratio of 55.30%, and (iv) a long-term debt ratio of 44.70%. Certain acquisitions, including the acquisition of the wastewater collection and treatment system of the Butler Area Sewer Authority, were excluded from authorized base rates. The new rates were effective on August 7, 2024, except that new wastewater rates for two recently acquired systems, including the City of York, will take effect during the first half of 2025 in accordance with the terms of the relevant acquisition agreements. As part of its approval of this rate adjustment, the PaPUC initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary's Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC is expected to conclude the investigation in the second quarter of 2025.

On February 23, 2024, the WVPSC issued an order approving the adjustment of base rates requested in a rate case filed on May 1, 2023, by the Company's West Virginia subsidiary. The general rate case order approved an $18 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $7 million, based on an authorized return on equity of 9.80%, authorized rate base of $886 million, which reflects capital investments through February 2024, a common equity ratio of 50.12% and a long-term debt ratio of 49.88%. The increased water and wastewater revenues related to the base rate adjustment are being driven primarily by (i) $220 million of related water and wastewater system capital investments made since the completion of the West Virginia subsidiary's previous rate case, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

On February 14, 2024, the Indiana Utility Regulatory Commission (the "IURC") issued an order approving the adjustment of base rates requested in a rate case filed on March 31, 2023, by the Company's Indiana subsidiary. The general rate case order approved a $66 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges, based on an authorized return on equity of 9.65%, authorized rate base of $1.8 billion, a common equity ratio of 56.15% and a debt ratio of 43.85%. For purposes of determining rates, the adjustment is based on an equity component of 48.19% due to the regulatory practice in Indiana of including certain zero-cost items or tax credit balances in the capital structure calculation. The annualized revenue increase will include three step increases, with $25 million of the increase to be included in rates in February 2024, $23 million in May 2024, and $18 million in May 2025. The increases are being driven primarily by (i) over $875 million of water and wastewater system capital investments since the completion of the Indiana subsidiary's last rate case and through April 30, 2025, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On August 2, 2024, the Company's Hawaii subsidiary filed a general rate case requesting approximately $2 million in annualized incremental revenues, which is based on a proposed return on equity of 10.67% and a capital structure with an equity component of 52.11% and debt component of 47.89%. The requested annualized incremental revenue is driven primarily by approximately $41 million in capital investments made and to be made by the Hawaii subsidiary through 2025. The Hawaii subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On July 1, 2024, the Company's Missouri subsidiary filed a general rate case requesting approximately $148 million in annualized incremental revenues. The request is based on a return on equity of 10.75% and a capital structure with an equity component of 50.54% and a long-term debt component of 49.46%. The requested annualized incremental revenue is driven primarily by $1.5 billion of incremental capital investments completed and planned by the Missouri subsidiary from January 2023 through May 2026. On July 31, 2024, the Missouri Public Service Commission issued an order establishing the test year in this case, which modified the Missouri subsidiary's original proposal for a future test year through May 2026, and instead reverted to a true-up period through December 31, 2024, with an allowance for proposed discrete adjustments subsequent to this date. On September 6, 2024, the Missouri subsidiary filed supplemental testimony to revise the request to approximately $123 million in annualized incremental revenues and define the specific discrete adjustments proposed through the rate effective period, which lowered the incremental capital investments completed and planned to $1.1 billion through May 2025. The Missouri subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On May 1, 2024, the Company's Iowa subsidiary filed a general rate case requesting approximately $21 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 52.57% and debt component of 47.43%. The requested annualized revenue increase is driven primarily by approximately $157 million in capital investments made and to be made by the Iowa subsidiary through March 2026. Interim rates became effective May 11, 2024, with the difference between interim and final approved rates subject to refund. On August 29, 2024, the Iowa subsidiary submitted supplemental testimony consistent with the procedural schedule, which was subsequently challenged by the parties in the proceeding. On October 4, 2024, the Iowa Utilities Commission issued an order that granted the inclusion of the supplemental filing and extended the procedural schedule in the case beyond the statutory ten-month period. The Iowa subsidiary now expects resolution of this proceeding by May 2025.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026. On December 18, 2024, the California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2026. On January 14, 2025, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. On September 20, 2024, the Virginia subsidiary filed with the Virginia State Corporation Commission (the "SCC") a "black box" stipulation of settlement on key financial terms which agreed to a $15 million annualized increase in the Virginia subsidiary's revenues. The stipulation of settlement also agreed, solely for purposes of the Virginia subsidiary's future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), that its return on equity will be 9.70% and its capital structure will consist of an equity component of 45.67% and a debt and other component of 54.33%. The stipulation of settlement remains subject to SCC review and approval.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2024:

(In millions)	Effective Date	Amount
Infrastructure surcharges by state:		
Missouri	(b)	$ 47
Pennsylvania	(c)	21
New Jersey	April 30, 2024	9
Iowa	March 1, 2024	1
West Virginia (a)	March 1, 2024	7
Illinois	January 1, 2024	5
Total infrastructure surcharge authorizations		$ 90

(a) On March 5, 2024, the WVPSC directed the Company's West Virginia subsidiary to interpret the distribution system improvement charge ("DSIC") Order as having included within the DSIC the three-year amortization of a prior authorized deferral associated with a large treatment plant project. The inclusion of this deferral increased the net incremental revenue by $0.7 million to a total of $6.6 million effective March 1, 2024.

(b) In 2024, $21 million was effective July 11 and $26 million was effective January 20.

(c) In 2024, $14 million was effective July 1 and $7 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2025:

(In millions)	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	February 7, 2025	$ 17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge filings		$ 23

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. On July 8, 2024, the California Supreme Court issued a unanimous opinion concluding that the CPUC did not regularly seek to exercise its authority when it prohibited water utilities from proposing to continue their water revenue adjustment mechanisms. Accordingly, the California Supreme Court vacated the portion of the CPUC's 2020 decision relating to this prohibition against continuation of such water revenue adjustment mechanisms.

Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its 2022 general rate case. On December 5, 2024, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. On December 30, 2024, the New Jersey Appellate Division of the New Jersey Superior Court affirmed the NJBPU decision rejecting the acquisition adjustments. There is no financial impact to the Company as a result of the NJBPU's order and resulting appeal decision, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Consolidated Results of Operations

Presented in the table below are the Company's consolidated results of operations:

	For the Years Ended December 31,		
(In millions)	2024	2023	2022
Operating revenues	$ 4,684	$ 4,234	$ 3,792
Operating expenses:			
Operation and maintenance	1,858	1,720	1,589
Depreciation and amortization	788	704	649
General taxes	320	307	281
Other	—	(1)	—
Total operating expenses, net	2,966	2,730	2,519
Operating income	1,718	1,504	1,273
Other income (expense):			
Interest expense	(523)	(460)	(433)
Interest Income	94	73	52
Non-operating benefit costs, net	28	32	77
Gain on sale of businesses	—	—	19
Other, net	42	47	20
Total other income (expense)	(359)	(308)	(265)
Income before income taxes	1,359	1,196	1,008
Provision for income taxes	308	252	188
Net income attributable to common shareholders	$ 1,051	$ 944	$ 820

Segment Results of Operations

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its business primarily through one reportable segment, the Regulated Businesses segment. Other primarily includes MSG, which does not meet the criteria of a reportable segment in accordance with GAAP. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. This presentation is consistent with how management assesses the results of these businesses. For a discussion and analysis of the Company's financial statements for fiscal 2023 compared to fiscal 2022, please refer to Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 14, 2024.

Regulated Businesses Segment

Presented in the table below is financial information for the Regulated Businesses:

	For the Years Ended December 31,		
(In millions)	2024	2023	2022
Operating revenues	$ 4,296	$ 3,920	$ 3,505
Operation and maintenance	1,517	1,441	1,345
Depreciation and amortization	772	693	633
General taxes	301	288	264
Other operating (income) expense	—	(1)	—
Other income (expense)	(339)	(269)	(220)
Provision for income taxes	302	259	188
Net income attributable to common shareholders	$ 1,065	$ 971	$ 854

Operating Revenues

Presented in the tables below is information regarding the main components of the Regulated Businesses' operating revenues:

(In millions)	For the Years Ended December 31, 2024	2023	2022
Water services:			
Residential	$ 2,349	$ 2,143	$ 1,941
Commercial	885	798	710
Fire service	164	158	147
Industrial	184	167	153
Public and other	301	284	267
Total water services	3,883	3,550	3,218
Wastewater services:			
Residential	245	228	174
Commercial	70	62	45
Industrial	12	8	4
Public and other	36	29	19
Total wastewater services	363	327	242
Other (a)	50	43	45
Total operating revenues	$ 4,296	$ 3,920	$ 3,505

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(Gallons in millions)	For the Years Ended December 31, 2024	2023	2022
Billed water services volumes:			
Residential	163,583	160,921	162,105
Commercial	80,385	78,404	77,627
Industrial	37,217	36,404	37,265
Fire service, public and other	54,700	54,236	51,966
Total billed water services volumes	335,885	329,965	328,963

In 2024, as compared to 2023, operating revenues increased $376 million, primarily due to: (i) a $288 million increase from authorized rate increases, including infrastructure surcharges, principally to recover infrastructure investment in various states; (ii) a $41 million increase from water and wastewater acquisitions and organic growth in existing systems; (iii) a $26 million increase from changes in customer demand; and (iv) a $17 million net increase as a result of reduced amortization of EADIT, primarily in the Company's Missouri subsidiary.

Operation and Maintenance

Presented in the table below is information regarding the main components of the Regulated Businesses' operating and maintenance expense:

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Employee-related costs	$ 543	$ 513	$ 505
Production costs	458	438	387
Operating supplies and services	274	255	242
Maintenance materials and supplies	97	102	96
Customer billing and accounting	72	65	59
Other	73	68	56
Total operation and maintenance expense	$ 1,517	$ 1,441	$ 1,345

Employee-Related Costs

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Salaries and wages	$ 434	$ 413	$ 395
Group insurance	69	60	59
Pensions	7	9	21
Other benefits	33	31	30
Total employee-related costs	$ 543	$ 513	$ 505

In 2024, as compared to 2023, employee-related costs increased $30 million primarily due to an increase in salaries and wages due to merit increases, which was partially offset by higher capitalized labor and overhead rates.

Production Costs

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Purchased water	$ 180	$ 161	$ 154
Fuel and power	112	108	104
Chemicals	107	105	78
Waste disposal	59	64	51
Total production costs	$ 458	$ 438	$ 387

In 2024, as compared to 2023, production costs increased $20 million primarily from higher purchased water cost and usage.

Operating Supplies and Services

In 2024, as compared to 2023, operating supplies and services increased $19 million primarily due to higher contracted services and software licensing costs as well as an increase in various other operating expenses.

Depreciation and Amortization

In 2024, as compared to 2023, depreciation and amortization increased $79 million primarily due to additional utility plant placed in service from capital infrastructure investments and acquisitions.

General Taxes

In 2024, as compared to 2023, general taxes increased $13 million primarily due to incremental property taxes and New Jersey Gross Receipts Tax.

Other Income (Expense)

In 2024, as compared to 2023, other expenses increased $70 million primarily due to higher interest expense from the issuance of incremental long-term debt and a decrease in AFUDC in 2024.

Provision for Income Taxes

In 2024, as compared to 2023, the Regulated Businesses' provision for income taxes increased $43 million. The Regulated Businesses' effective income tax rate was 22.1% and 21.1% for the years ended December 31, 2024 and 2023, respectively. The increase was primarily due to the decrease in the amortization of EADIT, pursuant to regulatory orders. The amortization of EADIT is generally offset with reductions in revenue.

Other

Presented in the table below is information for Other:

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Operating revenues	$ 388	$ 314	$ 287
Operation and maintenance	341	279	244
Depreciation and amortization	16	11	16
General taxes	19	19	17
Interest expense	(107)	(96)	(119)
Interest income	77	45	50
Gain on sale of businesses	—	—	19
Other income	10	12	6
Provision for (benefit from) income taxes	6	(7)	—
Net loss attributable to common shareholders	$ (14)	$ (27)	$ (34)

Operating Revenues

In 2024, as compared to 2023, operating revenues increased $74 million from an increase in capital projects in MSG, primarily at Naval Station Mayport, and an increase in capital projects in CSG.

Operation and Maintenance

Presented in the table below is information regarding the main components of Other's operating and maintenance expense:

	For the Years Ended December 31,		
(In millions)	**2024**	**2023**	**2022**
Operating supplies and services	$ 195	$ 150	$ 120
Maintenance materials and supplies	27	29	35
Employee-related costs	101	85	73
Production costs	10	9	10
Other	8	6	6
Total operation and maintenance expense	$ 341	$ 279	$ 244

Operating Supplies and Services

In 2024, as compared to 2023, operating supplies and services increased $45 million primarily due to costs associated with the increased capital projects in MSG.

Employee-Related Costs

In 2024, as compared to 2023, employee-related costs increased $16 million primarily due to an increase in salaries and wages.

Interest Income

In 2024, as compared to 2023, interest income increased $32 million primarily due to the increased interest rate and higher principal balance from the February 2024 amendment of the secured seller promissory note from the sale of HOS. See Note 5—Acquisitions and Divestitures—Sale of Homeowner Services Group, in the Notes to Consolidated Financial Statements for additional information.

Tax Matters

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a 15% CAMT provision on applicable corporations effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1.0 billion. An applicable corporation must make several adjustments to net income when determining AFSI. A corporation paying CAMT is eligible for a future tax credit, which can be utilized when regular tax exceeds CAMT. Based on current guidance, the Company is an applicable corporation subject to CAMT beginning in 2024 and expects to owe CAMT in excess of the regular tax liability. On September 12, 2024, the Internal Revenue Service (the "IRS") and the U.S. Treasury issued Notice 2024-66, allowing corporate taxpayers to exclude amounts attributable to the CAMT liability, without penalty, from estimated tax payments with respect to a taxable year that begins during 2024. The Company will include the CAMT liability in its 2024 extension payment due April 15, 2025. The Company will continue to assess the impacts of the IRA as the U.S. Treasury and the IRS provide further guidance.

Legislative Updates

During 2024 and 2025, the Company's regulatory jurisdictions enacted the following legislation that has been approved and is effective as of February 19, 2025:

- New Jersey passed Assembly Bill 4791, establishing the "Resiliency and Environmental System Investment Charge Program," which creates a regulatory mechanism that enables water and wastewater utilities to recover the costs of investment in certain non-revenue producing utility system components that enhance water and wastewater system resiliency, environmental compliance such as existing and proposed requirements for PFAS, safety, and public health. Legislation was signed by the Governor and became effective on January 12, 2024.
- Indiana passed Senate Bill 5, which provides access to a property by a water utility to replace lead service lines when a landowner does not enroll in the offered lead service line replacement program, does not personally replace the customer owned portion of the lead service line following notice and a 45-day waiting period, or is non-responsive to attempted communication after the 45-day waiting period. Legislation was signed by the Governor and became effective on March 11, 2024.
- Iowa passed House File 207, which modifies property tax assessments to exempt property owned or operated by a public or private utility and is directly and primarily used for furnishing sanitary sewage or storm water drainage disposal by a piped collection system to the public for compensation. Legislation was signed by the Governor and became effective on May 2, 2024.
- West Virginia passed House Bill 5617, which adopts standards and authorizes the WVPSC to promulgate rules, and also allows for rate recovery, on maintenance, flushing, flow testing and marking of fire hydrants owned by water utilities. Legislation was signed by the Governor and became effective on June 4, 2024.
- Iowa passed House File 2101, which increases the threshold amount required for approval by the Iowa Utilities Commission for water and wastewater utility acquisition filings from $0.5 million to $3 million. Legislation was signed by the Governor and became effective on July 1, 2024.
- Indiana passed Senate Bill 247, which establishes a 30-day filing with the IURC by a utility for an acquisition of a utility with an appraised value and purchase price of less than $3 million. Legislation was signed by the Governor became effective on July 1, 2024.
- California passed Senate Bill 219, which amends the Climate Corporate Data Accountability Act and the Climate-Related Financial Risk Act, to allow the California Air Resources Board until July 1, 2025, to issue implementing regulations, including reporting requirements for Scope 3 emissions. Legislation was signed by the Governor on September 27, 2024, and became effective January 1, 2025.

Liquidity and Capital Resources

The Company uses its capital resources, including cash, primarily to (i) fund operating and capital requirements, (ii) pay interest and meet debt maturities, (iii) pay dividends, (iv) fund acquisitions, (v) fund pension and postretirement benefit obligations, and (vi) to pay federal income taxes. The Company invests a significant amount of cash on regulated capital projects where it expects to earn a long-term return on investment. Additionally, the Company operates in rate regulated environments in which the amount of new investment recovery may be limited, and where such recovery generally takes place over an extended period of time, and certain capital recovery is also subject to regulatory lag. See Item 1—Business—Regulated Businesses—Regulation and Rate Making for additional information. The Company expects to fund future maturities of long-term debt through a combination of external debt and, to the extent available, cash flows from operations. Since the Company expects its capital investments over the next few years to be greater than its cash flows from operating activities, the Company currently plans to fund the excess of its capital investments over its cash flows from operating activities for the next five years through a combination of long-term debt and equity issuances, in addition to the remaining proceeds from the sale of HOS. The remaining proceeds from the sale of HOS include receipt of payments under a secured seller promissory note, plus interest, see Note 5—Acquisitions and Divestitures —Sale of Homeowner Services Group, in the Notes to Consolidated Financial Statements for additional information. If necessary, the Company may delay certain capital investments or other funding requirements or pursue financing from other sources to preserve liquidity. In this event, the Company believes it can rely upon cash flows from operations to meet its obligations and fund its minimum required capital investments for an extended period of time.

The Company regularly evaluates and monitors its cash requirements for capital investments, acquisitions, operations, commitments, debt maturities, interest and dividends. The Company's business is capital intensive, with a majority of this capital funded by cash flows from operations. The Company also obtains funds from external sources, primarily in the debt markets and through short-term commercial paper borrowings, and may also access the equity capital markets as needed or desired to support capital funding requirements. In order to meet short-term liquidity needs, AWCC issues commercial paper that is supported by its revolving credit facility. The Company's access to external financing on reasonable terms may depend on, as appropriate, any or all of the following: current business conditions, including that of the utility and water utility industry in general; conditions in the debt or equity capital markets; the Company's credit ratings; and conditions in the national and international economic and geopolitical arenas. Disruptions in the credit markets may discourage lenders from extending the terms of such commitments or agreeing to new commitments. Market disruptions may also limit the Company's ability to issue debt and equity securities in the capital markets.

If these unfavorable business, market, financial and other conditions deteriorate to the extent that the Company is no longer able to access the commercial paper and/or capital markets on reasonable terms, AWCC has access to an unsecured revolving credit facility. The Company's revolving credit facility provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. AWCC's revolving credit facility is used principally to support its commercial paper program, to provide additional liquidity support, and to provide a sub-limit for the issuance of up to $150 million in letters of credit. The maximum aggregate principal amount of short-term borrowings authorized for issuance under AWCC's commercial paper program is $2.60 billion. On October 28, 2024, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2028 to October 2029. Subject to satisfying certain conditions, the credit agreement also permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. As of December 31, 2024, AWCC had no outstanding borrowings and $82 million of outstanding letters of credit under its revolving credit facility, with $1.8 billion available to fulfill its short-term liquidity needs and to issue letters of credit.

The Company believes that its ability to access the debt and equity capital markets, the revolving credit facility and cash flows from operations will generate sufficient cash to fund the Company's short-term requirements. The Company believes it has sufficient liquidity and the ability to manage its expenditures, should there be a disruption of the capital and credit markets. However, there can be no assurance that the lenders will be able to meet existing commitments to AWCC under the revolving credit facility, or that AWCC will be able to access the commercial paper or loan markets in the future on acceptable terms or at all.

Cash Flows from Operating Activities

Cash flows from operating activities primarily result from the sale of water and wastewater services and, due to the seasonality of demand, are generally greater during the warmer months. The Company's future cash flows from operating activities will be affected by, among other things: customers' ability to pay for service in a timely manner, economic utility regulation, inflation, compliance with environmental, health and safety standards, production costs, maintenance costs, customer growth, declining customer usage of water, employee-related costs, including pension funding, weather and seasonality, taxes and overall economic conditions. The Company's current liabilities may exceed current assets mainly from debt maturities due within one year and the use of short-term debt as a funding source, primarily to meet scheduled maturities of long-term debt, fund acquisitions and construction projects, as well as cash needs, which can fluctuate significantly due to the seasonality of the business and other factors. The Company addresses cash timing differences primarily through its short-term liquidity funding mechanisms.

Presented in the table below is a summary of the major items affecting the Company's cash flows from operating activities:

(In millions)	For the Years Ended December 31, 2024	2023	2022
Net income	$ 1,051	$ 944	$ 820
Add (less):			
Depreciation and amortization	788	704	649
Deferred income taxes and amortization of investment tax credits	156	208	80
Other non-cash activities (a)	62	(9)	(16)
Changes in assets and liabilities (b)	40	76	(355)
Pension and non-pension postretirement benefit contributions	(52)	(49)	(51)
Gain on sale of businesses	—	—	(19)
Net cash provided by operating activities	$ 2,045	$ 1,874	$ 1,108

(a) Includes provision for losses on accounts receivable, pension and non-pension postretirement benefits and other non-cash, net. Details of each component can be found on the Consolidated Statements of Cash Flows.

(b) Changes in assets and liabilities include changes to receivables and unbilled revenues, income tax receivable, accounts payable, accrued liabilities, accrued taxes and other assets and liabilities, net.

In 2024, cash flows provided by operating activities increased $171 million, primarily due to an increase in net income and depreciation, partially offset by changes in deferred income taxes.

The Company expects to make pension contributions to the plan trusts of $44 million in 2025. Actual amounts contributed could change materially from this estimate as a result of changes in assumptions and actual investment returns, among other factors.

Cash Flows from Investing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from investing activities:

(In millions)	For the Years Ended December 31, 2024	2023	2022
Capital expenditures	$ (2,856)	$ (2,575)	$ (2,297)
Acquisitions, net of cash acquired	(417)	(81)	(315)
Proceeds from sale of assets, net of cash on hand	—	—	608
Removal costs from property, plant and equipment retirements, net	(152)	(159)	(123)
Purchases of available-for-sale fixed-income securities	(135)	—	—
Proceeds from sales and maturities of available-for-sale fixed-income securities	181	—	—
Net cash used in investing activities	$ (3,379)	$ (2,815)	$ (2,127)

In 2024, cash flows used in investing activities increased $564 million as a result of increased payments for capital expenditures and acquisitions in 2024. The Company continues to invest across all infrastructure categories, mainly replacement and renewal of transmission and distribution and services, meter and fire hydrants infrastructure in the Company's Regulated Businesses, as discussed below.

The Company's infrastructure investment plan consists of both infrastructure renewal programs, where the Company replaces mains, services, meters, hydrants and valves, as needed, and major capital investment projects, where the Company constructs new water and wastewater treatment and delivery facilities to meet new customer growth, and meet new or updated environmental and water quality regulations. The Company's projected capital expenditures and other investments are subject to periodic review and revision to reflect changes in economic conditions and other factors.

Presented in the table below is a summary of the Company's capital expenditures by category:

(In millions)	For the Years Ended December 31, 2024	2023	2022
Transmission and distribution	$ 882	$ 922	$ 901
Treatment and pumping	305	322	190
Services, meter and fire hydrants	805	652	546
General structure and equipment	425	333	380
Sources of supply	163	88	95
Wastewater	276	258	185
Total capital expenditures	$ 2,856	$ 2,575	$ 2,297

In 2024, the Company's capital expenditures increased $281 million due to an increase across most infrastructure categories.

The Company also grows its business primarily through acquisitions of water and wastewater systems. These acquisitions are generally located in geographic proximity to the Company's existing Regulated Businesses and support continued geographical diversification and growth of its operations. Generally, acquisitions are funded initially with short-term debt, and later refinanced with long-term financing. During 2024, the Company paid $417 million to fund acquisitions, including deposits for pending acquisitions. The Company closed on 13 acquisitions of various regulated water and wastewater systems during 2024, which added approximately 69,500 water and wastewater customers.

As previously noted, over the next five years the Company expects to invest between $17 billion to $18 billion, with $15.5 billion to $16 billion for infrastructure improvements in the Regulated Businesses, and the Company expects to invest between $40 billion to $42 billion over the next 10 years. In 2025, the Company expects to invest $3.3 billion, consisting of infrastructure improvements and acquisitions in the Regulated Businesses.

Cash Flows from Financing Activities

Presented in the table below is a summary of the major items affecting the Company's cash flows from financing activities:

(In millions)	For the Years Ended December 31, 2024	2023	2022
Proceeds from long-term debt	$ 1,437	$ 1,264	$ 822
Repayments of long-term debt	(475)	(282)	(15)
Net proceeds from common stock financing	—	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	700	(996)	591
Debt issuance costs	(14)	(16)	(7)
Dividends paid	(585)	(532)	(467)
Other financing activities, net (a)	47	62	76
Net cash provided by financing activities	$ 1,110	$ 1,188	$ 1,000

(a) Includes proceeds from issuances of common stock under various employee stock plans and the Company's dividend reinvestment and direct stock purchase plan, net of taxes paid, and advances and contributions in aid of construction, net of refunds.

In 2024, cash flows provided by financing activities decreased $78 million, primarily due to the repayment of long-term debt in the current period and the proceeds from the common stock financing in March 2023. These decreases were partially offset by a higher issuance of long-term debt and an increase in short-term commercial paper borrowings in the current year.

The Company's financing activities are primarily focused on funding regulated infrastructure expenditures, regulated acquisitions and payment of dividends. These activities included the issuance of long-term and short-term debt, primarily through AWCC and equity issuances from parent company. Based on the needs of the Regulated Businesses and the Company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide those borrowings to the Regulated Businesses and parent company. The Regulated Businesses and parent company are obligated to pay their portion of the respective principal and interest to AWCC, in the amount necessary to enable AWCC to meet its debt service obligations. Parent company's borrowings are not a source of capital for the Regulated Businesses, therefore, parent company is not able to recover the interest charges on its debt through regulated water and wastewater rates. As of December 31, 2024, AWCC has made long-term fixed rate loans and short-term loans to the Regulated Businesses amounting to $9.6 billion. Additionally, as of December 31, 2024, AWCC has made long-term fixed rate loans and short-term loans to parent company amounting to $3.3 billion.

On February 23, 2024, AWCC completed a $1.4 billion debt offering, which included the sale of $700 million aggregate principal amount of its 5.150% Senior Notes due 2034 and $700 million aggregate principal amount of its 5.450% Senior Notes due 2054. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $1,381 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC's 3.850% Senior Notes due 2024; (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes.

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of AWCC and for general corporate purposes.

On June 29, 2023, AWCC issued, in a private placement, $1,035 million aggregate principal amount of the Notes. AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. See Note 11 —Long-Term Debt in the Notes to Consolidated Financial Statements for additional information.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company (through AWCC) does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. The Company minimizes the counterparty credit risk on these transactions by dealing only with leading, creditworthy financial institutions, having long-term credit ratings of "A" or better.

During the second half of 2024, the Company entered into eight treasury lock agreements, with a term of 10 years or 30 years, with notional amounts totaling $355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed interest rate of 4.03%. In 2025, the Company entered into five additional treasury lock agreements, with a term of 10 years, with notional amounts totaling $275 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in March 2025 and have an average fixed interest rate of 4.60%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss.

The Company had entered into 15 treasury lock agreements through February 2024, with notional amounts totaling $825 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In February 2024, the Company terminated the treasury lock agreements realizing a pre-tax net gain of $14 million, to be amortized through Interest expense over a 10-year period or 30-year period, in accordance with the tenor of the notes issued on February 23, 2024.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2024, 2023 or 2022.

In February 2024, parent company and AWCC filed with the SEC a universal shelf registration statement that enables the Company to meet its capital needs through the offer and sale to the public from time to time of an unlimited amount of various types of securities, including American Water common stock, preferred stock, and other equity and hybrid securities, and AWCC debt securities, all subject to market conditions and demand, general economic conditions, and as applicable, rating status. The shelf registration statement will expire in February 2027. During 2024 and 2022, $1.4 billion and $800 million, respectively, of debt securities were issued under this and a predecessor registration statement. During 2023, under the predecessor registration statement, parent company issued 12,650,000 shares of its common stock for aggregate net proceeds of approximately $1,688 million.

Presented in the table below are the issuances of long-term debt in 2024:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC (a)	Senior notes—fixed rate	5.15%-5.45%	5.30%	2034-2054	$ 1,400
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	0.01%	2025-2061	46
Total issuances					$ 1,446

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. See "—Issuer and Guarantor of Senior Notes" below.

Presented in the table below are the retirements and redemptions of long-term debt in 2024 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount (in millions)
AWCC	Senior notes—fixed rate	3.85%	3.85%	2024	$ 400
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.53%	2024-2061	14
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.99%-7.17%	7.13%	2024	60
Total retirements and redemptions					$ 475

From time to time and as market conditions warrant, the Company may engage in long-term debt retirements through make-whole redemptions, tender offers, open market repurchases or other viable alternatives.

Issuer and Guarantor of Senior Notes

Outstanding unsecured senior notes issued by AWCC (other than the Notes) have been issued under two indentures, each by and between AWCC and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the notes issued thereunder. The Notes were issued under an indenture, by and among AWCC, parent company and U.S. Bank Trust Company, National Association, as trustee, providing for the rights and obligations of the parties thereto and the holders of the Notes. The senior notes and the Notes have been issued with the benefit of a support agreement, as amended, between parent company and AWCC, which serves as the functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness. No other subsidiary of parent company provides guarantees for any of such indebtedness. If AWCC is unable to make timely payment of any interest, principal or premium, if any, on such senior notes or the Notes, parent company will provide to AWCC, at its request or the request of any holder thereof, funds to make such payment in full. If AWCC fails or refuses to take timely action to enforce certain rights under the support agreement or if AWCC defaults in the timely payment of any amounts owed to any such holder, when due, the support agreement provides that such holder may proceed directly against parent company to enforce such rights or to obtain payment of the defaulted amounts owed to that holder.

As a wholly owned finance subsidiary of parent company, AWCC has no significant assets other than obligations of parent company and certain of its subsidiaries in its Regulated Businesses segment to repay certain intercompany loans made to them by AWCC. AWCC's ability to make payments of amounts owed to holders of the senior notes and the Notes will be dependent upon AWCC's receipt of sufficient payments of amounts owed pursuant to the terms of such intercompany loans and from its ability to issue indebtedness or otherwise obtain loans in the future, the proceeds of which would be used to fund the repayment of the senior notes and the Notes.

Because parent company is a holding company and substantially all of its operations are conducted through its subsidiaries other than AWCC, parent company's ability to fulfill its obligations under the support agreement will be dependent upon its receipt of sufficient cash dividends or distributions from its operating subsidiaries. See Note 9—Shareholders' Equity—Dividends and Distributions, in the Notes to the Consolidated Financial Statements for a summary of the limitations on parent company and its subsidiaries to pay dividends or make distributions. Furthermore, parent company's operating subsidiaries are separate and distinct legal entities and, other than AWCC, have no obligation to make any payments on the senior notes or the Notes or to make available or provide any funds for such payment, other than through their repayment obligations under intercompany loans, if any, with AWCC. Based on the foregoing, parent company's obligations under the support agreement will be effectively subordinated to all indebtedness and other liabilities, including trade payables, lease commitments and moneys borrowed or other indebtedness incurred or issued by parent company's subsidiaries other than AWCC.

Credit Facilities and Short-Term Debt

Interest rates on advances under the AWCC revolving credit facility are based on a credit spread to the Secured Overnight Financing Rate ("SOFR") rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody's Ratings and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt. The facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit of up to $150 million for letters of credit. Indebtedness under the facility and AWCC's commercial paper are considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations thereunder.

Presented in the tables below are the aggregate credit facility commitments, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2024		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(880)	(82)	(962)
Remaining availability as of December 31, 2024	$ 1,720	$ 68	$ 1,788

(a) Total remaining availability of $1.8 billion as of December 31, 2024, was accessible through revolver draws.

	2023		
(In millions)	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$ 2,495

(a) Total remaining availability of $2.5 billion as of December 31, 2023, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2024 and 2023:

(In millions)	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2024	$ 96	$ 1,788	$ 1,884
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825

The weighted average interest rate on AWCC's outstanding short-term borrowings was approximately 4.65% and 5.51%, for the years ended December 31, 2024 and 2023, respectively.

Capital Structure

Presented in the table below is the percentage of the Company's capitalization represented by the components of its capital structure as of December 31:

	2024	2023	2022
Total common shareholders' equity	42.4 %	44.2 %	38.3 %
Long-term debt and redeemable preferred stock at redemption value	51.4 %	52.9 %	54.4 %
Short-term debt and current portion of long-term debt	6.2 %	2.9 %	7.3 %
Total	100 %	100 %	100 %

The change in the capital structure mix in 2024 is mainly attributable to the increase in short-term commercial paper borrowings. The use of the proceeds from the common stock issuance on March 3, 2023, and the long-term debt issuance on June 29, 2023, reduced short-term commercial paper borrowings in 2023.

Debt Covenants

The Company's debt agreements contain financial and non-financial covenants. To the extent that the Company is not in compliance with these covenants, an event of default may occur under one or more debt agreements and the Company, or its subsidiaries, may be restricted in its ability to pay dividends, issue new debt or access the revolving credit facility. The long-term debt indentures contain a number of covenants that, among other things, prohibit or restrict the Company from issuing debt secured by the Company's assets, subject to certain exceptions. Failure to comply with any of these covenants could accelerate repayment obligations.

Covenants in certain long-term notes and the revolving credit facility require the Company to maintain a ratio of consolidated debt to consolidated capitalization (as defined in the relevant documents) of not more than 0.70 to 1.00. On December 31, 2024, the Company's ratio was 0.58 to 1.00 and therefore the Company was in compliance with the covenants.

Security Ratings

Presented in the table below are long-term and short-term credit ratings and rating outlooks as of February 19, 2025, as issued by Moody's Ratings on January 23, 2025, and S&P Global Ratings on March 4, 2024:

Securities	Moody's Ratings	S&P Global Ratings
Rating outlook	Stable	Stable
Senior unsecured debt	Baa1	A
Commercial paper	P-2	A-1

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency, and each rating should be evaluated independently of any other rating. Security ratings are highly dependent upon the ability to generate cash flows in an amount sufficient to service debt and meet investment plans. The Company can provide no assurances that its ability to generate cash flows is sufficient to maintain its existing ratings. The Company does not have any material borrowings that are subject to default or prepayment as a result of the downgrading of these security ratings, although such a downgrading could increase fees and interest charges under its credit facility.

As part of its normal course of business, the Company routinely enters into contracts for the purchase and sale of water, power and other fuel, chemicals and other services. These contracts either contain express provisions or otherwise permit the Company and its counterparties to demand adequate assurance of future performance when there are reasonable grounds for doing so. In accordance with the contracts and applicable contract law, if the Company is downgraded by a credit rating agency, especially if such downgrade is to a level below investment grade, it is possible that a counterparty would attempt to rely on such a downgrade as a basis for making a demand for adequate assurance of future performance, which could include a demand that the Company must provide collateral to secure its obligations. The Company does not expect to post any collateral which will have a material adverse impact on the Company's results of operations, financial position or cash flows.

Access to the capital markets, including the commercial paper market, and respective financing costs in those markets, may be directly affected by the Company's securities ratings. The Company primarily accesses the debt capital markets, including the commercial paper market, through AWCC. However, the Company has also issued debt through its regulated subsidiaries, primarily in the form of mortgage bonds and tax exempt securities or borrowings under state revolving funds, to lower the overall cost of debt.

Dividends and Regulatory Restrictions

For discussion of the Company's dividends, dividend restrictions and dividend policy, see Note 9—Shareholders' Equity in the Notes to Consolidated Financial Statements for additional information.

Insurance Coverage

The Company carries various property, casualty, cyber and financial insurance policies with limits, deductibles and exclusions that it believes are consistent with industry standards. However, insurance coverage may not be adequate or available to cover unanticipated losses or claims. Additionally, annual policy renewals can be impacted by claims experience or adverse insurance market trends which in turn can impact coverage terms and conditions on a going-forward basis. The Company is self-insured to the extent that losses are within the policy deductible or exceed the amount of insurance maintained. Such losses could have a material adverse effect on the Company's short-term and long-term financial condition and its results of operations and cash flows.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires that management apply accounting policies and develop estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. Management believes that the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions in matters that are inherently uncertain and that may change in subsequent periods. Accordingly, changes in the estimates, assumptions and judgments applied to these accounting policies could have a significant impact on the Company's financial condition, results of operations and cash flows, as reflected in the Company's Consolidated Financial Statements. Management has reviewed the critical accounting polices described below with the Company's Audit, Finance and Risk Committee, including the estimates, assumptions and judgments used in their application. Additional discussion regarding these critical accounting policies and their application can be found in Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements.

Regulation and Regulatory Accounting

The Company's regulated utilities are subject to regulation by PUCs and, as such, the Company follows the authoritative accounting principles required for rate regulated utilities, which requires the Company to reflect the effects of rate regulation in its Consolidated Financial Statements. Use of this authoritative guidance is applicable to utility operations that meet the following criteria: (i) third-party regulation of rates; (ii) cost-based rates; and (iii) a reasonable assumption that rates will be set to recover the estimated costs of providing service, plus a return on net investment, or rate base. As of December 31, 2024, the Company concluded that the operations of its utilities met the criteria.

Application of this authoritative guidance has a further effect on the Company's financial statements as it pertains to allowable costs used in the ratemaking process. The Company makes significant assumptions and estimates to quantify amounts recorded as regulatory assets and liabilities. Such judgments include, but are not limited to, assets and liabilities related to regulated acquisitions, pension and postretirement benefits, depreciation rates and taxes. Due to timing and other differences in the collection of revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, the principles require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers.

For each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation. If subsequent events indicate that the regulatory assets or liabilities no longer meet the criteria for probable future recovery or probable future settlement, the Company's Consolidated Statements of Operations and financial position could be materially affected. In addition, if the Company concludes in a future period that a separable portion of the business no longer meets the criteria, the Company is required to eliminate the financial statement effects of regulation for that part of the business, which would include the elimination of any or all regulatory assets and liabilities that had been recorded in the Consolidated Financial Statements. Failure to meet the criteria of this authoritative guidance could materially impact the Company's Consolidated Financial Statements.

As of December 31, 2024 and 2023, the Company's regulatory asset balance was $1.2 billion and $1.1 billion, respectively, and its regulatory liability balance was $1.4 billion and $1.5 billion, respectively. See Note 3—Regulatory Matters in the Notes to Consolidated Financial Statements for further information regarding the Company's significant regulatory assets and liabilities.

Accounting for Income Taxes

Significant management judgment is required in determining the provision for income taxes, primarily due to the uncertainty related to tax positions taken, as well as deferred tax assets and liabilities, valuation allowances and the utilization of net operating loss carryforwards.

In accordance with applicable authoritative guidance, the Company accounts for uncertain income tax positions using a benefit recognition model with a two-step approach, including a more-likely-than-not recognition threshold and a measurement approach based on the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement. If it is not more-likely-than-not that the benefit of the tax position will be sustained on its technical merits, no benefit is recorded. Uncertain tax positions that relate only to timing of when an item is included on a tax return are considered to have met the recognition threshold. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant judgment is required to determine whether the recognition threshold has been met and, if so, the appropriate amount of unrecognized tax benefit to be recorded in the Consolidated Financial Statements.

The Company evaluates the probability of realizing deferred tax assets quarterly by reviewing a forecast of future taxable income and its intent and ability to implement tax planning strategies, if necessary, to realize deferred tax assets. The Company also assesses its ability to utilize tax attributes, including those in the form of carryforwards, for which the benefits have already been reflected in the financial statements. The Company records valuation allowances for deferred tax assets when it concludes that it is more-likely-than-not such benefit will not be realized in future periods.

Under GAAP, specifically Accounting Standards Codification ("ASC 740"), *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. For the Company's regulated entities, the change in deferred taxes are recorded as either an offset to a regulatory asset or a regulatory liability and may be subject to refund to customers. For the Company's unregulated operations, the change in deferred taxes are recorded as a non-cash re-measurement adjustment to earnings.

Actual income taxes could vary from estimated amounts due to the future impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations, failure to successfully implement tax planning strategies and recovery of taxes through the regulatory process for the Regulated Businesses, as well as results of audits and examinations of filed tax returns by taxing authorities. The resulting tax balances as of December 31, 2024 and 2023, are appropriately accounted for in accordance with the applicable authoritative guidance; however, the ultimate outcome of tax matters could result in favorable or unfavorable adjustments to the Consolidated Financial Statements and such adjustments could be material. See Note 14—Income Taxes in the Notes to Consolidated Financial Statements for additional information regarding income taxes.

Accounting for Pension and Postretirement Benefits

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. The Company also maintains other postretirement benefit plans providing medical and life insurance to eligible retirees. See Note 2—Significant Accounting Policies and Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional information regarding the description of and accounting for the defined benefit pension plans and postretirement benefit plans.

The Company's pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company's pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes. The primary assumptions are:

- Discount Rate—The discount rate is used in calculating the present value of benefits, which are based on projections of benefit payments to be made in the future. The objective in selecting the discount rate is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the accumulated benefits when due.

- Expected Return on Plan Assets ("EROA")—Management projects the future return on plan assets considering prior performance, but primarily based upon the plans' mix of assets and expectations for the long-term returns on those asset classes. These projected returns reduce the net benefit costs the Company records currently.
- Rate of Compensation Increase—Management projects employees' pay increases, which are used to project employees' pension benefits at retirement.
- Health Care Cost Trend Rate—Management projects the expected increases in the cost of health care.
- Mortality— Management adopted the Society of Actuaries Pri-2012 base mortality table, the most recent table developed from private pension plan experience, which provides rates of mortality in 2012 and adopted the MP-2021 mortality improvement scale to gradually adjust future mortality rates downward due to increased longevity in each year after 2012.

The discount rate assumption, which is determined for the pension and postretirement benefit plans independently, is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. For each plan, the discount rate was developed as the level equivalent rate that would yield the same present value as using spot rates aligned with the projected benefit payments. The weighted-average discount rate assumption for determining pension benefit obligations was 5.70%, 5.18% and 5.58% at December 31, 2024, 2023 and 2022, respectively. The weighted-average discount rate assumption for determining other postretirement benefit obligations was 5.69%, 5.22% and 5.60% at December 31, 2024, 2023 and 2022, respectively.

In selecting an EROA, the Company considered tax implications, past performance and economic forecasts for the types of investments held by the plans. The weighted-average EROA assumption used in calculating pension cost was 6.73% for 2024, 6.79% for 2023 and 6.50% for 2022. The weighted-average EROA assumption used in calculating other postretirement benefit costs was 5.00% for 2024, 5.00% for 2023 and 3.60% for 2022.

Presented in the table below are the allocations of the pension plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2025 Target Allocation	2024	2023
Equity securities	37 %	44 %	41 %
Fixed income	63 %	56 %	59 %
Total	100 %	100 %	100 %

Presented in the table below are the allocations of the other postretirement benefit plan assets by asset category:

		Percentage of Plan Assets as of December 31,	
Asset Category	2025 Target Allocation (a)	2024	2023
Equity securities	27 %	34 %	32 %
Fixed income	73 %	66 %	68 %
Total	100 %	100 %	100 %

(a) Refer to Note 15—Employee Benefits in the Notes to Consolidated Financial Statements for additional details on the allocations of assets and the trusts which fund the other postretirement benefit plans

The investments of the pension and postretirement welfare plan trusts are invested in a number of separately managed accounts, commingled funds and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts. The trustee for the Company's defined benefit pension and postretirement welfare plans uses an independent valuation firm to calculate the fair value of plan assets.

In selecting a rate of compensation increase, the Company considers past experience in light of movements in inflation rates. The Company's rate of compensation increase was 3.51% for 2024, 2023 and 2022.

In selecting health care cost trend rates, the Company considers past performance and forecasts of increases in health care costs. As of January 1, 2024, the Company's health care cost trend rate assumption used to calculate the periodic benefit cost was 6.75% in 2024 gradually declining to 5.00% in 2031 and thereafter. As of December 31, 2024, the Company projects that medical inflation will be 6.50% in 2025 gradually declining to 5.00% in 2031 and thereafter.

The Company will use a weighted-average discount rate and EROA of 5.70% and 6.63%, respectively, for estimating its 2025 pension costs. Additionally, the Company will use a weighted-average discount rate and EROA of 5.69% and 5.00%, respectively, for estimating its 2025 other postretirement benefit costs. A decrease in the discount rate or the EROA would increase the Company's pension expense. The Company's 2024 pension and postretirement total net benefit credit was $3 million and the 2023 pension and postretirement total net benefit credit was $6 million. The Company expects to make pension contributions to the plan trusts of $44 million in 2025; however, the actual amounts contributed could change materially from this estimate. The assumptions are reviewed annually and at any interim re-measurement of the plan obligations. The impact of assumption changes is reflected in the recorded pension and postretirement benefit amounts as they occur, or over a period of time if allowed under applicable accounting standards.

Revenue Recognition

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis, and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

Increases or decreases in the volumes delivered to customers and rate mix due to changes in usage patterns in customer classes in the period could be significant to the calculation of unbilled revenue. In addition, changes in the timing of meter reading schedules and the number and type of customers scheduled for each meter reading date would also have an effect on the unbilled revenue calculation. Unbilled revenue for the Company's regulated utilities as of December 31, 2024 and 2023 was $219 million and $193 million, respectively.

The Company also recognizes revenues for certain ratemaking mechanisms that meet the criteria for alternative revenue program accounting. These mechanisms, which include the Company's revenue stability mechanisms, qualify as alternative revenue programs if they have been authorized for rate recovery, are objectively determinable and probable of recovery, and are expected to be collected within 24 months following the end of the period in which they were recognized.

The Company also has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues or other long-term assets, with billings in excess of revenues recorded as other current or long-term liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. Unbilled revenue within Other as of December 31, 2024 and 2023, was $96 million and $109 million, respectively.

Accounting for Contingencies

The Company records loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss or a range of losses can be reasonably estimated. The determination of a loss contingency is based on management's judgment and estimates about the likely outcome of the matter, which may include an analysis of different scenarios. Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is reasonably possible, management considers many factors, which include, but are not limited to: the nature of the litigation, claim or assessment, review of applicable law, opinions or views of legal counsel and other advisors, and the experience gained from similar cases or situations. The Company provides disclosures for material contingencies when management deems there is a reasonable possibility that a loss or an additional loss may be incurred. The Company provides estimates of reasonably possible losses when such estimates may be reasonably determined, either as a single amount or within a reasonable range.

Actual amounts realized upon settlement or other resolution of loss contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the Consolidated Financial Statements. See Note 16—Commitments and Contingencies in the Notes to Consolidated Financial Statements for additional information regarding contingencies.

Recent Accounting Standards

See Note 2—Significant Accounting Policies in the Notes to Consolidated Financial Statements for a description of recent accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk associated with changes in commodity prices, equity prices and interest rates. The Company is exposed to risks from changes in interest rates as a result of its issuance of variable and fixed rate debt and commercial paper. The Company manages its interest rate exposure by limiting its variable rate exposure and by monitoring the effects of market changes in interest rates. The Company also has the ability to enter into financial derivative instruments, which could include instruments such as, but not limited to, interest rate swaps, forward starting swaps and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. As of December 31, 2024, a hypothetical 1% increase in average interest rates applied to the Company's short-term borrowing balances throughout 2024 would result in an increased annual interest expense of approximately $2 million.

As of December 31, 2024, the Company had eight treasury lock agreements, each with a term of 10 years or 30 years, with notional amounts totaling $355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed rate of 4.03%. When entering into treasury locks, the Company is subject to market risk with respect to changes in the underlying benchmark interest rate that impacts the fair value of the treasury locks. The Company manages market risk by matching the terms of the treasury locks with the critical terms of the expected debt issuance. The fair value of the treasury locks at December 31, 2024, was in a gain position of $24 million. A hypothetical 1% favorable change in interest rates would result in an increase in the fair value of the treasury locks to a gain position of approximately $60 million at December 31, 2024.

The Company's risks associated with price increases for chemicals, electricity and other commodities are reduced through contractual arrangements and the expected ability to recover price increases through rates, in the next general rate case proceeding or other regulatory mechanism, as authorized by each regulatory jurisdiction. Non-performance by these commodity suppliers could have a material adverse impact on the Company's results of operations, financial position and cash flows.

The market price of the Company's common stock may experience fluctuations, which may be unrelated to its operating performance. In particular, the Company's stock price may be affected by general market movements as well as developments specifically related to the water and wastewater industry. These could include, among other things, interest rate movements, quarterly variations or changes in financial estimates by securities analysts and governmental or regulatory actions. This volatility may make it difficult for the Company to access the capital markets in the future through additional offerings of its common stock or other equity securities, regardless of its financial performance, and such difficulty may preclude the Company from being able to take advantage of certain business opportunities or meet business obligations.

The Company is exposed to credit risk through its water, wastewater and related services. The Company's Regulated Businesses serve residential, commercial, industrial and other customers, while the businesses within Other engage in business activities with government entities and other customers. The Company's primary credit risk is exposure to customer default on contractual obligations and the associated loss that may be incurred due to the non-payment of customer accounts receivable balances. The Company's credit risk is managed through established credit and collection policies which are in compliance with applicable regulatory requirements and involve monitoring of customer exposure and the use of credit risk mitigation measures such as letters of credit or prepayment arrangements. The Company's credit portfolio is diversified with no significant customer or industry concentrations. In addition, the Regulated Businesses are generally able to recover all prudently incurred costs including uncollectible customer accounts receivable expenses and collection costs through rates.

The Company's retirement trust assets are exposed to the market prices of debt and equity securities. Changes to the retirement trust asset values can impact the Company's pension and other benefits expense, funded status and future minimum funding requirements. Changes in interest rates can impact retirement liabilities. The Company aims to reduce risk through asset diversification and by investing in long duration fixed-income securities that have a duration similar to that of its pension liabilities, seeking to hedge some of the interest rate sensitivity of its liabilities. That way, if interest rates fall and liabilities increase, the Company expects that the fixed-income assets in its retirement trust will also increase in value. The Company also expects its risk to be reduced through its ability to recover pension and other benefit costs through rates.

The Company is also exposed to a potential national economic recession or deterioration in local economic conditions in the markets in which it operates. The credit quality of the Company's customer accounts receivable is dependent on the economy and the ability of its customers to manage through unfavorable economic cycles and other market changes. In addition, there can be no assurances that regulators will grant sufficient rate authorizations. Therefore, the Company's ability to fully recover operating expense, recover its investment and provide an appropriate return on invested capital made in the Regulated Businesses may be adversely impacted.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Audited Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm (PCAOB ID 238)	77
Consolidated Balance Sheets as of December 31, 2024 and 2023	79
Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022	81
Consolidated Statements of Comprehensive Income for the years ended December 31, 2024, 2023 and 2022	82
Consolidated Statements of Cash Flows for the years ended December 31, 2024, 2023 and 2022	83
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2024, 2023 and 2022	84
Notes to Consolidated Financial Statements	85

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
American Water Works Company, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of American Water Works Company, Inc. and its subsidiaries (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, of comprehensive income, of changes in shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2024, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023**,** and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Accounting for the Effects of Rate Regulation

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated regulatory assets and liabilities balances were $1,169 million and $1,416 million, respectively, as of December 31, 2024. The Company's regulated utilities are subject to regulation by multiple state utility commissions and the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's consolidated financial statements. As disclosed by management, for each regulatory jurisdiction where the Company conducts business, the Company assesses, at the end of each reporting period, whether the regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement. This assessment includes consideration of factors such as changes in regulatory environments, recent rate orders (including recent rate orders on recovery of a specific or similar incurred cost to other regulated entities in the same jurisdiction) and the status of any pending or potential legislation.

The principal considerations for our determination that performing procedures relating to accounting for the effects of rate regulation is a critical audit matter are the significant judgment by management in accounting for regulatory assets and liabilities relative to whether regulatory assets continue to meet the criteria for probable future recovery and regulatory liabilities continue to meet the criteria for probable future settlement as a result of changes in regulatory environments, recent rate orders, and the status of any pending or potential legislation. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence obtained relating to management's judgments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the Company's regulatory accounting process, including controls over management's assessment and consideration of factors related to the probability of future recovery or settlement. These procedures also included, among others, evaluating the reasonableness of management's judgments regarding the probability of recovery and settlement based on the Company's correspondence with regulators, status of regulatory proceedings, past practices, and other relevant information; evaluating the related accounting and disclosure implications; and evaluating regulatory asset and liability balances based on provisions and formulas outlined in rate orders and other correspondence with the Company's regulators.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 19, 2025

We have served as the Company's auditor since 1948.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2024	December 31, 2023
ASSETS		
Property, plant and equipment	$ 35,059	$ 32,189
Accumulated depreciation	(7,021)	(6,751)
Property, plant and equipment, net	28,038	25,438
Current assets:		
Cash and cash equivalents	96	330
Restricted funds	29	34
Accounts receivable, net of allowance for uncollectible accounts of $53 and $51, respectively	416	339
Income tax receivable	25	86
Unbilled revenues	315	302
Materials and supplies	103	112
Other	231	186
Total current assets	1,215	1,389
Regulatory and other long-term assets:		
Regulatory assets	1,150	1,106
Secured seller promissory note from the sale of the Homeowner Services Group	795	720
Operating lease right-of-use assets	89	86
Goodwill	1,144	1,143
Other	399	416
Total regulatory and other long-term assets	3,577	3,471
Total assets	$ 32,830	$ 30,298

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31, 2024	December 31, 2023
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock ($0.01 par value; 500,000,000 shares authorized; 200,371,701 and 200,144,968 shares issued, respectively)	$ 2	$ 2
Paid-in-capital	8,598	8,550
Retained earnings	2,112	1,659
Accumulated other comprehensive income (loss)	12	(26)
Treasury stock, at cost (5,451,216 and 5,414,867 shares, respectively)	(392)	(388)
Total common shareholders' equity	10,332	9,797
Long-term debt	12,518	11,715
Redeemable preferred stock at redemption value	3	3
Total long-term debt	12,521	11,718
Total capitalization	22,853	21,515
Current liabilities:		
Short-term debt	879	179
Current portion of long-term debt	637	475
Accounts payable	346	294
Accrued liabilities	791	791
Accrued taxes	156	67
Accrued interest	111	93
Other	230	252
Total current liabilities	3,150	2,151
Regulatory and other long-term liabilities:		
Advances for construction	383	352
Deferred income taxes and investment tax credits	2,881	2,717
Regulatory liabilities	1,416	1,481
Operating lease liabilities	76	73
Accrued pension expense	217	262
Other	277	196
Total regulatory and other long-term liabilities	5,250	5,081
Contributions in aid of construction	1,577	1,551
Commitments and contingencies (See Note 16)		
Total capitalization and liabilities	$ 32,830	$ 30,298

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Operations
(In millions, except per share data)

	For the Years Ended December 31,		
	2024	2023	2022
Operating revenues	$ 4,684	$ 4,234	$ 3,792
Operating expenses:			
Operation and maintenance	1,858	1,720	1,589
Depreciation and amortization	788	704	649
General taxes	320	307	281
Other	—	(1)	—
Total operating expenses, net	2,966	2,730	2,519
Operating income	1,718	1,504	1,273
Other income (expense):			
Interest expense	(523)	(460)	(433)
Interest income	94	73	52
Non-operating benefit costs, net	28	32	77
Gain on sale of businesses	—	—	19
Other, net	42	47	20
Total other income (expense)	(359)	(308)	(265)
Income before income taxes	1,359	1,196	1,008
Provision for income taxes	308	252	188
Net income attributable to common shareholders	$ 1,051	$ 944	$ 820
Basic earnings per share: (a)			
Net income attributable to common shareholders	$ 5.39	$ 4.90	$ 4.51
Diluted earnings per share: (a)			
Net income attributable to common shareholders	$ 5.39	$ 4.90	$ 4.51
Weighted average common shares outstanding:			
Basic	195	193	182
Diluted	195	193	182

(a) Amounts may not calculate due to rounding.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Comprehensive Income
(In millions)

	For the Years Ended December 31,		
	2024	2023	2022
Net income attributable to common shareholders	$ 1,051	$ 944	$ 820
Other comprehensive income (loss), net of tax:			
Change in employee benefit plan funded status, net of tax of $0, $(2) and $5 in 2024, 2023 and 2022, respectively	1	(3)	14
Defined benefit pension plan amortization of actuarial loss, net of tax of $0, $0 and $1 in 2024, 2023 and 2022, respectively	—	4	3
Unrealized gain (loss) on cash flow hedges, net of tax of $9, $0 and $1 in 2024, 2023 and 2022, respectively	39	(8)	5
Unrealized (loss) gain on available-for-sale fixed-income securities, net of tax of $0 in 2024, 2023 and 2022	(2)	4	—
Net other comprehensive income (loss)	38	(3)	22
Comprehensive income attributable to common shareholders	$ 1,089	$ 941	$ 842

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Cash Flows
(In millions)

	For the Years Ended December 31,		
	2024	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 1,051	$ 944	$ 820
Adjustments to reconcile to net cash flows provided by operating activities:			
Depreciation and amortization	788	704	649
Deferred income taxes and amortization of investment tax credits	156	208	80
Provision for losses on accounts receivable	31	24	24
Gain on sale of businesses	—	—	(19)
Pension and non-pension postretirement benefits	(3)	(6)	(47)
Other non-cash, net	34	(27)	7
Changes in assets and liabilities:			
Receivables and unbilled revenues	(107)	(56)	(114)
Income tax receivable	61	28	(110)
Pension and non-pension postretirement benefit contributions	(52)	(49)	(51)
Accounts payable and accrued liabilities	111	70	(8)
Accrued taxes	92	21	(118)
Other assets and liabilities, net	(117)	13	(5)
Net cash provided by operating activities	2,045	1,874	1,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,856)	(2,575)	(2,297)
Acquisitions, net of cash acquired	(417)	(81)	(315)
Proceeds from sale of assets, net of cash on hand	—	—	608
Removal costs from property, plant and equipment retirements, net	(152)	(159)	(123)
Purchases of available-for-sale fixed-income securities	(135)	—	—
Proceeds from sales and maturities of available-for-sale fixed-income securities	181	—	—
Net cash used in investing activities	(3,379)	(2,815)	(2,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term debt, net of discount	1,437	1,264	822
Repayments of long-term debt	(475)	(282)	(15)
Net proceeds from common stock financing	—	1,688	—
Net short-term borrowings (repayments) with maturities less than three months	700	(996)	591
Advances and contributions in aid of construction, net of refunds of $33, $25 and $19 in 2024, 2023 and 2022, respectively	39	60	74
Debt issuance costs	(14)	(16)	(7)
Dividends paid	(585)	(532)	(467)
Other, net	8	2	2
Net cash provided by financing activities	1,110	1,188	1,000
Net (decrease) increase in cash, cash equivalents and restricted funds	(224)	247	(19)
Cash, cash equivalents and restricted funds at beginning of period	364	117	136
Cash, cash equivalents and restricted funds at end of period	$ 140	$ 364	$ 117
Cash paid (received) during the year for:			
Interest, net of capitalized amount	$ 483	$ 445	$ 414
Income taxes, net of refunds of $5, $30 and $2 in 2024, 2023 and 2022, respectively	$ (5)	$ —	$ 335
Non-cash investing activity:			
Capital expenditures acquired on account but unpaid as of year end	$ 347	$ 399	$ 330

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Consolidated Statements of Changes in Shareholders' Equity
(In millions, except per share data)

	Common Stock				Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Par Value	Paid-in Capital	Retained Earnings		Shares	At Cost	
Balance as of December 31, 2021	186.9	$ 2	$ 6,781	$ 925	$ (45)	(5.3)	$ (365)	$ 7,298
Net income attributable to common shareholders	—	—	—	820	—	—	—	820
Common stock issuances (a)	0.5	—	43	—	—	(0.1)	(12)	31
Net other comprehensive income	—	—	—	—	22	—	—	22
Dividends ($2.62 declared per common share)	—	—	—	(478)	—	—	—	(478)
Balance as of December 31, 2022	187.4	$ 2	$ 6,824	$ 1,267	$ (23)	(5.4)	$ (377)	$ 7,693
Net income attributable to common shareholders	—	—	—	944	—	—	—	944
Common stock issuances (a)	12.7	—	1,726	—	—	(0.1)	(11)	1,715
Net other comprehensive loss	—	—	—	—	(3)	—	—	(3)
Dividends ($2.83 declared per common share)	—	—	—	(552)	—	—	—	(552)
Balance as of December 31, 2023	200.1	$ 2	$ 8,550	$ 1,659	$ (26)	(5.5)	$ (388)	$ 9,797
Net income attributable to common shareholders	—	—	—	1,051	—	—	—	1,051
Common stock issuances (a)	0.3	—	48	—	—	—	(4)	44
Net other comprehensive income	—	—	—	—	38	—	—	38
Dividends ($3.06 declared per common share)	—	—	—	(598)	—	—	—	(598)
Balance as of December 31, 2024	200.4	$ 2	$ 8,598	$ 2,112	$ 12	(5.5)	$ (392)	$ 10,332

(a) Includes stock-based compensation, employee stock purchase plan and direct stock reinvestment and direct stock purchase plan activity.

The accompanying notes are an integral part of these Consolidated Financial Statements.

American Water Works Company, Inc. and Subsidiary Companies
Notes to Consolidated Financial Statements
(Unless otherwise noted, in millions, except per share data)

Note 1: Organization and Operation

American Water Works Company, Inc. (the "Company" or "American Water") is a holding company for subsidiaries that provide water and wastewater services throughout the United States. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries. The Company's primary business involves the ownership of regulated utilities that provide water and wastewater services in 14 states in the United States, collectively referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other." See Note 20—Segment Information for additional information.

Note 2: Significant Accounting Policies

Regulation

The Company's regulated utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as Public Utility Commissions ("PUCs"). As such, the Company follows authoritative accounting principles required for rate regulated utilities, which requires the effects of rate regulation to be reflected in the Company's Consolidated Financial Statements. PUCs generally authorize revenue at levels intended to recover the estimated costs of providing service, plus a return on net investments, or rate base. Regulators may also approve accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers, acquisitions and dispositions, along with imposing certain penalties or granting certain incentives. Due to timing and other differences in the collection of a regulated utility's revenues, these authoritative accounting principles allow a cost that would otherwise be charged as an expense by a non-regulated entity, to be deferred as a regulatory asset if it is probable that such cost is recoverable through future rates. Conversely, these principles also require the creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future, or amounts collected in excess of costs incurred and are refundable to customers. See Note 3—Regulatory Matters for additional information.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates, assumptions and judgments that could affect the Company's financial condition, results of operations and cash flows. Actual results could differ from these estimates, assumptions and judgments. The Company considers its critical accounting estimates to include (i) the application of regulatory accounting principles and the related determination and estimation of regulatory assets and liabilities, (ii) revenue recognition and the estimates used in the calculation of unbilled revenue, (iii) accounting for income taxes, (iv) benefit plan assumptions and (v) the estimates and judgments used in determining loss contingencies. The Company's critical accounting estimates that are particularly sensitive to change in the near term are amounts reported for regulatory assets and liabilities, income taxes, benefit plan assumptions and contingency-related obligations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of American Water and all of its subsidiaries in which a controlling interest is maintained after the elimination of intercompany balances and transactions.

Property, Plant and Equipment

Property, plant and equipment consists primarily of utility plant utilized by the Company's regulated utilities. Additions to utility plant and replacement of retirement units of utility plant are capitalized and include costs such as materials, direct labor, payroll taxes and benefits, indirect items such as engineering and supervision, transportation and an allowance for funds used during construction ("AFUDC"). Costs for repair, maintenance and minor replacements are charged to O&M expense as incurred.

The cost of utility plant is depreciated using the straight-line average remaining life, group method. The Company's regulated utilities record depreciation in conformity with amounts approved by PUCs, after regulatory review of the information the Company submits to support its estimates of the assets' remaining useful lives.

Nonutility property consists primarily of buildings and equipment utilized by the Military Services Group ("MSG") and for internal operations. This property is stated at cost, net of accumulated depreciation, which is calculated using the straight-line method over the useful lives of the assets.

When units of property, plant and equipment are replaced, retired or abandoned, the carrying value is credited against the asset and charged to accumulated depreciation. To the extent the Company recovers cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts result in a regulatory liability being reported based on the amounts previously recovered through customer rates, until the costs to retire those assets are incurred.

The costs incurred to acquire and internally develop computer software for internal use are capitalized as a unit of property. The carrying value of these costs, net of amortization, amounted to $398 million and $419 million as of December 31, 2024 and 2023, respectively.

Cash and Cash Equivalents, and Restricted Funds

Substantially all cash is invested in interest-bearing accounts. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted funds consist primarily of proceeds from financings for the construction and capital improvement of facilities, and deposits for future services under O&M projects, primarily performed by MSG. Proceeds are held in escrow or interest-bearing accounts until the designated expenditures are incurred. Restricted funds are classified on the Consolidated Balance Sheets as either current or long-term based upon the intended use of the funds.

Presented in the table below is a reconciliation of the cash and cash equivalents and restricted funds amounts as presented on the Consolidated Balance Sheets to the sum of such amounts presented on the Consolidated Statements of Cash Flows for the years ended December 31:

	2024	2023
Cash and cash equivalents	$ 96	$ 330
Restricted funds	29	34
Restricted funds included in other long-term assets	15	—
Cash and cash equivalents and restricted funds as presented on the Consolidated Statements of Cash Flows	$ 140	$ 364

Accounts Receivable and Unbilled Revenues

Accounts receivable include regulated utility customer accounts receivable, which represent amounts billed to water and wastewater customers generally on a monthly basis. Credit is extended based on the guidelines of the applicable PUCs and collateral is generally not required. Also included are the trade accounts receivable of other businesses, primarily MSG, and nonutility customer receivables of the Regulated Businesses. Unbilled revenues are accrued when service has been provided but has not been billed to customers and when costs exceed billings on certain construction contracts.

Allowance for Uncollectible Accounts

Allowances for uncollectible accounts are maintained for estimated probable losses resulting from the Company's inability to collect receivables from customers. Accounts that are outstanding longer than the payment terms are considered past due. A number of factors are considered in determining the allowance for uncollectible accounts, including the length of time receivables are past due, previous loss history, current economic and societal conditions and reasonable and supportable forecasts that affect the collectability of receivables from customers. The Company generally writes off accounts when they become uncollectible or are over a certain number of days outstanding. See Note 7—Allowance for Uncollectible Accounts for additional information.

Materials and Supplies

Materials and supplies are stated at the lower of cost or net realizable value. Cost is determined using the average cost method.

Seller Promissory Note

The Company's secured seller promissory note is accounted for under Accounting Standards Codification ("ASC") Topic 310, *Receivables*, and is classified as held for investment and accounted for at amortized cost at the present value of consideration received for the sale of its Homeowner Services Group ("HOS") business. Interest income from the secured seller promissory note is accrued based on the principal amount outstanding and earned over the contractual life of the loan.

Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued liabilities and operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in property, plant and equipment, accrued liabilities and other long-term liabilities on the Consolidated Balance Sheets. The Company has made an accounting policy election not to include operating leases with a lease term of twelve months or less.

ROU assets represent the right to use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are generally recognized at the commencement date based on the present value of discounted lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of discounted lease payments. The implicit rate is used when readily determinable. ROU assets also include any upfront lease payments and excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) and non-lease components (e.g., common-area maintenance costs), which are generally accounted for separately; however, the Company accounts for the lease and non-lease components as a single lease component for certain leases. Certain lease agreements include variable rental payments adjusted periodically for inflation. Additionally, the Company applies a portfolio approach to effectively account for the ROU assets and lease liabilities. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Goodwill

Goodwill represents the excess of the purchase price paid over the estimated fair value of the assets acquired and liabilities assumed in the acquisition of a business. Goodwill is not amortized and must be allocated at the reporting unit level, which is defined as an operating segment or one level below, and tested for impairment at least annually, or more frequently if an event occurs or circumstances change that would more likely than not, reduce the fair value of a reporting unit below its carrying value.

The Company's goodwill is primarily associated with the acquisition of American Water by an affiliate of the Company's previous owner in 2003 and has been allocated to reporting units based on the fair values at the date of the acquisitions. For purposes of testing goodwill for impairment, the reporting units in the Regulated Businesses segment are aggregated into a single reporting unit. The goodwill of Other is attributable to the MSG reporting unit.

The Company's annual impairment testing is performed as of November 30 of each year. The Company assesses qualitative factors to determine whether quantitative testing is necessary. If it is determined, based upon qualitative factors, that the estimated fair value of a reporting unit is, more likely than not, greater than its carrying value, no further testing is required. If the Company bypasses the qualitative assessment or performs the qualitative assessment and determines that the estimated fair value of a reporting unit, is more likely than not, less than its carrying value, a quantitative, fair value-based assessment is performed. This quantitative testing compares the estimated fair value of the reporting unit to its respective net carrying value, including goodwill, on the measurement date. An impairment loss will be recognized in the amount equal to the excess of the reporting unit's carrying value compared to its estimated fair value, limited to the total amount of goodwill allocated to that reporting unit.

Application of goodwill impairment testing requires management judgment, including the identification of reporting units and determining the fair value of reporting units. Management estimates fair value using a discounted cash flow analysis. Significant assumptions used in these fair value estimations include, but are not limited to, forecasts of future operating results, discount rate and growth rate.

The Company believes the assumptions and other considerations used to value goodwill to be appropriate, however, if actual experience differs from the assumptions and considerations used in its analysis, the resulting change could have a material adverse impact on the Consolidated Financial Statements. See Note 8—Goodwill for additional information.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, primarily include property, plant and equipment. The Company evaluates long-lived assets for impairment when circumstances indicate the carrying value of those assets may not be recoverable. The Company determines if long-lived assets are potentially impaired by comparing the undiscounted expected future cash flows to the carrying value when indicators of impairment exist. When the undiscounted cash flow analysis indicates a long-lived asset may not be recoverable, the amount of the impairment loss is determined by measuring the excess of the carrying amount of the long-lived asset or asset group over its fair value.

The long-lived assets of the Company's regulated utilities are grouped on a separate entity basis for impairment testing, as they are integrated state-wide operations that do not have the option to curtail service and generally have uniform tariffs. A regulatory asset is charged to earnings if and when future recovery in rates of that asset is no longer probable.

The Company believes the assumptions and other considerations used to value long-lived assets to be appropriate, however, if actual experience differs from the assumptions and considerations used in its estimates, the resulting change could have a material adverse impact on the Consolidated Financial Statements.

Advances for Construction and Contributions in Aid of Construction

Regulated utility subsidiaries may receive advances for construction and contributions in aid of construction from customers, home builders and real estate developers to fund construction necessary to extend service to new areas.

Advances are refundable for limited periods of time as new customers begin to receive service or other contractual obligations are fulfilled. Included in other current liabilities as of December 31, 2024 and 2023, on the Consolidated Balance Sheets are estimated refunds of $21 million and $18 million, respectively. These amounts represent expected refunds during the next 12-month period.

Advances that are no longer refundable are reclassified to contributions in aid of construction. Contributions in aid of construction are permanent collections of plant assets or cash for a particular construction project. For ratemaking purposes, the amount of such contributions generally serves as a rate base reduction since the contributions represent non-investor supplied funds.

Generally, the Company depreciates utility plant funded by contributions and amortizes its contributions in aid of construction balance as a reduction to depreciation expense, producing a result which is functionally equivalent to reducing the original cost of the utility plant for the contributions. In accordance with applicable regulatory guidelines, some of the Company's utility subsidiaries do not amortize contributions in aid of construction, and any contribution received remains on the balance sheet indefinitely. Amortization of contributions in aid of construction was $46 million, $40 million and $37 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Revenue Recognition

Under ASC Topic 606, *Revenue From Contracts With Customers,* and all related amendments (collectively, "ASC 606"), a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for goods or services. Under ASC 606, a contract's transaction price is allocated to each distinct performance obligation. To determine revenue recognition for arrangements that the Company determines are within the scope of ASC 606, the Company performs the following five steps: (i) identifies the contracts with a customer; (ii) identifies the performance obligations within the contract, including whether any performance obligations are distinct and capable of being distinct in the context of the contract; (iii) determines the transaction price; (iv) allocates the transaction price to the performance obligations in the contract; and (v) recognizes revenue when, or as, the Company satisfies each performance obligation.

The Company's revenues from contracts with customers are discussed below. Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Regulated Businesses Revenue

Revenue from the Company's Regulated Businesses is generated primarily from water and wastewater services delivered to customers. These contracts contain a single performance obligation, the delivery of water and/or wastewater services, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration. Revenues include amounts billed to customers on a cycle basis and unbilled amounts calculated based on estimated usage from the date of the meter reading associated with the latest customer bill, to the end of the accounting period. The amounts that the Company has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer.

The Company recognizes revenues for certain ratemaking mechanisms that meet the criteria for alternative revenue program accounting. These mechanisms, which include the Company's revenue stability mechanisms, qualify as alternative revenue programs if they have been authorized for rate recovery, are objectively determinable and probable of recovery and are expected to be collected within 24 months following the end of the period in which they were recognized. For mechanisms that meet these criteria, the Company adjusts revenue and records an offsetting regulatory asset or liability once the condition or event allowing additional billing or refund has occurred. See Note 4—Revenue Recognition for disaggregated revenue information.

Other Revenue

The Company has long-term, fixed fee contracts to operate and maintain water and wastewater systems for the U.S. government on military installations and facilities owned by municipal customers. Billing and revenue recognition for the fixed fee revenues occurs ratably over the term of the contract, as customers simultaneously receive and consume the benefits provided by the Company. Additionally, these contracts allow the Company to make capital improvements to underlying infrastructure, which are initiated through separate modifications or amendments to the original contract, whereby stand-alone, fixed pricing is separately stated for each improvement. The Company has determined that these capital improvements are separate performance obligations, with revenue recognized over time based on performance completed at the end of each reporting period. Losses on contracts are recognized during the period in which the losses first become probable and estimable. Revenues recognized during the period in excess of billings on construction contracts are recorded as unbilled revenues or other long-term assets, with billings in excess of revenues recorded as other current or long-term liabilities until the recognition criteria are met. Changes in contract performance and related estimated contract profitability may result in revisions to costs and revenues and are recognized in the period in which revisions are determined. See Note 4—Revenue Recognition for additional information.

Income Taxes

The Company and its subsidiaries participate in a consolidated federal income tax return for U.S. tax purposes. Members of the consolidated group are charged with the amount of federal income tax expense determined as if they filed separate returns.

Certain income and expense items are accounted for in different time periods for financial reporting than for income tax reporting purposes. The Company provides deferred income taxes on the difference between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements. These deferred income taxes are based on the enacted tax rates expected to be in effect when these temporary differences are projected to reverse. In addition, the regulated utility subsidiaries recognize regulatory assets and liabilities for the effect on revenues expected to be realized as the tax effects of temporary differences, previously flowed through to customers, reverse.

Investment tax credits have been deferred by the regulated utility subsidiaries and are being amortized to income over the average estimated service lives of the related assets.

The Company recognizes accrued interest and penalties related to tax positions as a component of income tax expense and accounts for sales tax collected from customers and remitted to taxing authorities on a net basis. See Note 14—Income Taxes for additional information.

Allowance for Funds Used During Construction

AFUDC is a non-cash credit to income with a corresponding charge to utility plant that represents the cost of borrowed funds or a return on equity funds devoted to plant under construction. The regulated utility subsidiaries record AFUDC to the extent permitted by the PUCs. The portion of AFUDC attributable to borrowed funds is shown as a reduction of interest expense in the Consolidated Statements of Operations. Any portion of AFUDC attributable to equity funds would be included in Other, net in the Consolidated Statements of Operations. Presented in the table below is AFUDC for the years ended December 31:

	2024	2023	2022
Allowance for other funds used during construction	$ 38	$ 41	$ 20
Allowance for borrowed funds used during construction	21	24	14

Derivative Financial Instruments

The Company uses derivative financial instruments primarily for purposes of hedging exposures to fluctuations in interest rates. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

All derivatives are recognized on the balance sheet at fair value. On the date the derivative contract is entered into, the Company designates the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash-flow hedge).

The gains and losses on the effective portion of cash-flow hedges are recorded in other comprehensive income, until earnings are affected by the variability of cash flows. Any ineffective portion of designated cash-flow hedges is recognized in current-period earnings.

Cash flows from derivative contracts are included in net cash provided by operating activities on the Consolidated Statements of Cash Flows. See Note 11—Long-Term Debt for additional information.

Pension and Other Postretirement Benefits

The Company maintains defined benefit pension plans and other postretirement benefit plans for eligible employees and retirees. The plan obligation and costs of providing benefits under these plans are annually measured as of December 31. The measurement involves various factors, assumptions and accounting elections. The impact of assumption changes or experience different from that assumed on pension and other postretirement benefit obligations is recognized over time rather than immediately recognized in the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Income. Cumulative gains and losses that are in excess of 10% of the greater of either the projected benefit obligation or the fair value of plan assets are amortized over the expected average remaining future service period of the current active membership for the plans, with the exception of the American Water Pension Plan for Certain Inactive Participants, which is amortized over the average remaining life expectancy of the inactive participants. See Note 15—Employee Benefits for additional information.

The Company's policy is to recognize curtailments when the total expected future service of plan participants is reduced by greater than 10% due to an event that results in terminations and/or retirements.

New Accounting Standards

Presented in the table below are new accounting standards that were adopted by the Company in 2024:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Segment Reporting	The guidance in this standard expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Additionally, the guidance enhances interim disclosure requirements, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss, provides new segment disclosure requirements for entities with a single reportable segment, and other disclosure requirements.	Fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024	Retrospective	The Company adopted the standard as of December 31, 2024, including a recast of 2023 and 2022 information, by including additional required disclosures within the Notes to the Consolidated Financial Statements. See Note 20—Segment Information for further details.

Presented in the table below are recently issued accounting standards that have not yet been adopted by the Company as of December 31, 2024:

Standard	Description	Date of Adoption	Application	Effect on the Consolidated Financial Statements
Income Taxes	The guidance in this standard requires disclosure of a tax rate reconciliation table, in both percentages and reporting currency amounts, which includes additional categories of information about federal, state, and foreign income taxes and provides further details about reconciling items in certain categories that meet a quantitative threshold. The guidance also requires an annual disclosure of income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes paid, and further disaggregated by jurisdiction based on a quantitative threshold. The standard includes other disclosure requirements and eliminates certain existing disclosure requirements.	Annual periods beginning after December 15, 2024	Prospective, with retrospective application also permitted	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.
Income Statement Disaggregation	The guidance in this standard enhances disclosures related to income statement expenses to further disaggregate expenses in the footnotes to the financial statements. The standard requires disaggregation of any relevant expense caption presented on the face of the income statement that contains the following expense categories: purchases of inventory, employee compensation, depreciation, intangible asset amortization, and depletion. Further, the standard requires disclosure of the total amount and the entity's definition of selling expenses.	Annual periods beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.
Induced Conversions of Convertible Debt Instruments	The guidance in this standard clarifies the requirements for determining whether to account for certain settlements of convertible debt instruments as induced conversions or extinguishments. The guidance requires an entity to account for a settlement as an induced conversion if the inducement offer includes the issuance of all of the consideration issuable under the conversion privileges provided in the terms of the existing convertible debt instrument.	Annual periods beginning after December 15, 2025 and interim reporting period within those annual reporting periods	Prospective, with retrospective application also permitted.	The Company is evaluating the impact on its Consolidated Financial Statements and the timing of adoption.

Reclassifications

Certain reclassifications have been made to prior periods in the Consolidated Financial Statements and Notes to conform to the current presentation.

Note 3: Regulatory Matters

General Rate Cases

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective during 2024. The amounts include reductions for the amortization of the excess accumulated deferred income taxes ("EADIT") that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Kentucky	(a)	$ 17
New Jersey	September 15, 2024	80
Pennsylvania	August 7, 2024	99
Indiana, Step Increases	(b)	48
West Virginia	February 25, 2024	18
California	January 1, 2024	21
Total general rate case authorizations		$ 283

(a) In 2024, $6 million was effective November 6 and $11 million was effective May 3.

(b) In 2024, $23 million was effective May 10 and $25 million was effective February 21.

The table below summarizes the annualized incremental revenues, assuming a constant sales volume and customer count, resulting from general rate case authorizations that became effective on or after January 1, 2025. The amounts include reductions for the amortization of EADIT that are generally offset in income tax expense.

	Effective Date	Amount
General rate cases by state:		
Tennessee	January 21, 2025	$ 1
Illinois	January 1, 2025	105
Total general rate case authorizations		$ 106

On January 21, 2025, the Tennessee Public Utility Commission (the "TPUC") approved a motion authorizing an adjustment of water base rates requested in a rate case filed on May 1, 2024, by the Company's Tennessee subsidiary. The TPUC approved an increase of $1 million in annualized revenues, excluding previously recovered infrastructure surcharges of $18 million, based on an authorized return on equity of 9.70%, authorized rate base of approximately $300 million, a common equity ratio of 44.19% and a debt ratio of 55.81%. This adjustment took effect on January 21, 2025, and is driven primarily by approximately $173 million in capital investments made and to be made by the Tennessee subsidiary through December 2025.

On December 5, 2024, the Illinois Commerce Commission issued a final order approving the adjustment of base rates requested in a rate case originally filed on January 25, 2024, by the Company's Illinois subsidiary. The general rate case order approved an increase of $105 million in annualized water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $5 million, based on an authorized return on equity of 9.84%, authorized rate base of $2.2 billion, and a capital structure with an equity component of 49.00% and a debt component of 51.00%. The general rate case order denied the second step increase of $16 million. The increase was effective January 1, 2025, and is driven primarily by approximately $557 million in capital investments made and to be made by the Illinois subsidiary from January 2024 through December 2025.

On December 5, 2024, the California Public Utilities Commission (the "CPUC") approved a final decision adopting the terms of a partial settlement agreement filed on November 17, 2023, in the Company's California subsidiary's general rate case originally filed on July 1, 2022. Incorporating the currently effective return on equity of 10.20%, the decision provides incremental annualized water and wastewater revenues of $21 million in the 2024 test year, and an estimated $16 million in the 2025 escalation year and $16 million in the 2026 attrition year. New rates were implemented retroactively to January 1, 2024. In addition, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On May 3, 2024, the Kentucky Public Service Commission (the "KPSC") issued an order approving the adjustment of base rates requested in a rate case filed on June 30, 2023, by the Company's Kentucky subsidiary. The general rate case order approved an $11 million annualized increase in water revenues, excluding infrastructure surcharge revenues of $10 million, which continue to be recovered in the Kentucky subsidiary's approved infrastructure mechanism. The annualized increase is based upon an authorized return on equity of 9.70%, authorized rate base of $489 million, which reflects capital investments through January 31, 2025, and a capital structure with a common equity ratio of 52.22%. Interim rates in this proceeding were effective on February 6, 2024, and the order required that the difference between interim and final approved rates be subject to refund no later than August 26, 2024. On May 16, 2024, the Kentucky subsidiary filed with the KPSC a petition for rehearing of the KPSC's order, seeking clarification and/or correction of certain computational inconsistencies that the Kentucky subsidiary believes are reflected in the KPSC's order with respect to the authorized amount of annualized revenues to be received by the Kentucky subsidiary. On November 6, 2024, the KPSC approved a final order (the "Final Order") providing for a $17 million annualized increase in water revenues, an increase of approximately $6 million from May 3, 2024. New rates provided in the Final Order were effective November 6, 2024.

On September 4, 2024, the New Jersey Board of Public Utilities ("NJBPU") issued an order approving without modification the stipulation of settlement of a general rate case filed on January 19, 2024, by the Company's New Jersey subsidiary. The general rate case order approved an $80 million annualized increase in the New Jersey subsidiary's water and wastewater revenues, effective September 15, 2024, based on (i) an authorized return on equity of 9.60%, (ii) an authorized rate base of $5.1 billion, (iii) a common equity ratio of 55.00%, and (iv) a long-term debt ratio of 45.00%. The annualized revenue increase is driven primarily by $1.3 billion of incremental capital investments since the New Jersey subsidiary's last general rate case. The New Jersey subsidiary will continue to defer as a regulatory asset or liability, as appropriate, until its next general rate case, the difference between its pension expense and other postretirement benefits expense and those amounts included in base rates.

On July 22, 2024, the Pennsylvania Public Utility Commission (the "PaPUC") released an order approving the adjustment of base rates requested in a general rate case filed by the Company's Pennsylvania subsidiary on November 8, 2023. The PaPUC approved a $99 million annualized increase in the Pennsylvania subsidiary's water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $20 million, based on (i) an authorized return on equity of 9.45%, (ii) an authorized rate base of $5.8 billion, which reflects, as requested and included in the general rate case, approximately $1.0 billion in capital investments to be made through mid-2025, (iii) a common equity ratio of 55.30%, and (iv) a long-term debt ratio of 44.70%. Certain acquisitions, including the acquisition of the wastewater collection and treatment system of the Butler Area Sewer Authority, were excluded from authorized base rates. The new rates were effective on August 7, 2024, except that new wastewater rates for two recently acquired systems, including the City of York, will take effect during the first half of 2025 in accordance with the terms of the relevant acquisition agreements. As part of its approval of this rate adjustment, the PaPUC initiated an investigation into certain reported water service and water quality issues in the Pennsylvania subsidiary's Northeastern service territory, which reports had been provided during public input hearings convened in the general rate case. The PaPUC is expected to conclude the investigation in the second quarter of 2025.

On February 23, 2024, the West Virginia Public Service Commission (the "WVPSC") issued an order approving the adjustment of base rates requested in a rate case filed on May 1, 2023, by the Company's West Virginia subsidiary. The general rate case order approved an $18 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges of $7 million, based on an authorized return on equity of 9.80%, authorized rate base of $886 million, which reflects capital investments through February 2024, a common equity ratio of 50.12% and a long-term debt ratio of 49.88%. The increased water and wastewater revenues related to the base rate adjustment are being driven primarily by (i) $220 million of related water and wastewater system capital investments made since the completion of the West Virginia subsidiary's previous rate case, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

On February 14, 2024, the Indiana Utility Regulatory Commission issued an order approving the adjustment of base rates requested in a rate case filed on March 31, 2023, by the Company's Indiana subsidiary. The general rate case order approved a $66 million annualized increase in water and wastewater system revenues, excluding previously recovered infrastructure surcharges, based on an authorized return on equity of 9.65%, authorized rate base of $1.8 billion, a common equity ratio of 56.15% and a debt ratio of 43.85%. For purposes of determining rates, the adjustment is based on an equity component of 48.19% due to the regulatory practice in Indiana of including certain zero-cost items or tax credit balances in the capital structure calculation. The annualized revenue increase will include three step increases, with $25 million of the increase to be included in rates in February 2024, $23 million in May 2024, and $18 million in May 2025. The increases are being driven primarily by (i) over $875 million of water and wastewater system capital investments since the completion of the Indiana subsidiary's last rate case and through April 30, 2025, (ii) higher pension and other postretirement benefit costs, and (iii) increases in production costs, including chemicals, fuel and power costs.

Pending General Rate Case Filings

On August 2, 2024, the Company's Hawaii subsidiary filed a general rate case requesting approximately $2 million in annualized incremental revenues, which is based on a proposed return on equity of 10.67% and a capital structure with an equity component of 52.11% and debt component of 47.89%. The requested annualized incremental revenue is driven primarily by approximately $41 million in capital investments made and to be made by the Hawaii subsidiary through 2025. The Hawaii subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On July 1, 2024, the Company's Missouri subsidiary filed a general rate case requesting approximately $148 million in annualized incremental revenues. The request is based on a return on equity of 10.75% and a capital structure with an equity component of 50.54% and a long-term debt component of 49.46%. The requested annualized incremental revenue is driven primarily by $1.5 billion of incremental capital investments completed and planned by the Missouri subsidiary from January 2023 through May 2026. On July 31, 2024, the Missouri Public Service Commission issued an order establishing the test year in this case, which modified the Missouri subsidiary's original proposal for a future test year through May 2026, and instead reverted to a true-up period through December 31, 2024, with an allowance for proposed discrete adjustments subsequent to this date. On September 6, 2024, the Missouri subsidiary filed supplemental testimony to revise the request to approximately $123 million in annualized incremental revenues and define the specific discrete adjustments proposed through the rate effective period, which lowered the incremental capital investments completed and planned to $1.1 billion through May 2025. The Missouri subsidiary anticipates that the general rate case proceeding will be completed by mid-2025.

On May 1, 2024, the Company's Iowa subsidiary filed a general rate case requesting approximately $21 million in additional annualized revenues, which is based on a proposed return on equity of 10.75% and a capital structure with an equity component of 52.57% and debt component of 47.43%. The requested annualized revenue increase is driven primarily by approximately $157 million in capital investments made and to be made by the Iowa subsidiary through March 2026. Interim rates became effective May 11, 2024, with the difference between interim and final approved rates subject to refund. On August 29, 2024, the Iowa subsidiary submitted supplemental testimony consistent with the procedural schedule, which was subsequently challenged by the parties in the proceeding. On October 4, 2024, the Iowa Utilities Commission issued an order that granted the inclusion of the supplemental filing and extended the procedural schedule in the case beyond the statutory ten-month period. The Iowa subsidiary now expects resolution of this proceeding by May 2025.

On December 15, 2023, the Company's California subsidiary submitted a request to delay by one year its cost of capital filing and maintain its current authorized cost of capital through 2025. On February 2, 2024, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2025, to set its authorized cost of capital beginning January 1, 2026. On December 18, 2024, the California subsidiary submitted a request to further delay by one year its cost of capital filing and maintain the authorized cost of capital through 2026. On January 14, 2025, the CPUC granted the request for a one-year extension of the cost of capital filing to May 1, 2026, to set its authorized cost of capital beginning January 1, 2027.

On November 1, 2023, the Company's Virginia subsidiary filed a general rate case requesting $20 million in additional annualized revenues. The request is based on a proposed return on equity of 10.95% and a capital structure with an equity component of 45.67% and a debt and other component of 54.33%. The requested increase is driven by approximately $110 million in capital investments between May 2023 and April 2025. The request also proposed a revenue decoupling mechanism and seeks deferral of certain production cost adjustments. Interim rates became effective May 1, 2024, with the difference between interim and final approved rates subject to refund. On September 20, 2024, the Virginia subsidiary filed with the Virginia State Corporation Commission (the "SCC") a "black box" stipulation of settlement on key financial terms which agreed to a $15 million annualized increase in the Virginia subsidiary's revenues. The stipulation of settlement also agreed, solely for purposes of the Virginia subsidiary's future filings requiring a stated cost of capital and/or capital structure (including its annual information and water and wastewater infrastructure surcharge filings), that its return on equity will be 9.70% and its capital structure will consist of an equity component of 45.67% and a debt and other component of 54.33%. The stipulation of settlement remains subject to SCC review and approval.

Infrastructure Surcharges

A number of states have authorized the use of regulatory mechanisms that permit rates to be adjusted outside of a general rate case for certain costs and investments, such as infrastructure surcharge mechanisms that permit recovery of capital investments to replace aging infrastructure. Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective during 2024:

	Effective Date	Amount
Infrastructure surcharges by state:		
Missouri	(b)	$ 47
Pennsylvania	(c)	21
New Jersey	April 30, 2024	9
Iowa	March 1, 2024	1
West Virginia (a)	March 1, 2024	7
Illinois	January 1, 2024	5
Total infrastructure surcharge authorizations		$ 90

(a) On March 5, 2024, the WVPSC directed the Company's West Virginia subsidiary to interpret the distribution system improvement charge ("DSIC") Order as having included within the DSIC the three-year amortization of a prior authorized deferral associated with a large treatment plant project. The inclusion of this deferral increased the net incremental revenue by $0.7 million to a total of $6.6 million effective March 1, 2024.

(b) In 2024, $21 million was effective July 11 and $26 million was effective January 20.

(c) In 2024, $14 million was effective July 1 and $7 million was effective April 1.

Presented in the table below are annualized incremental revenues, assuming a constant sales volume and customer count, resulting from infrastructure surcharge authorizations that became effective on or after January 1, 2025:

	Effective Date	Amount
Infrastructure surcharge filings by state:		
Missouri	February 7, 2025	$ 17
Kentucky	January 1, 2025	2
West Virginia	January 1, 2025	4
Total infrastructure surcharge filings		$ 23

Other Regulatory Matters

In September 2020, the CPUC released a decision under its Low-Income Rate Payer Assistance program rulemaking that required the Company's California subsidiary to file a proposal to alter its water revenue adjustment mechanism in its next general rate case filing in 2022, which would have become effective upon receiving an order in the rate case. On October 5, 2020, the Company's California subsidiary filed an application for rehearing of the decision and following the CPUC's denial of its rehearing application in September 2021, the Company's California subsidiary filed a petition for writ of review with the California Supreme Court on October 27, 2021. On May 18, 2022, the California Supreme Court issued a writ of review for the California subsidiary's petition and the petitions filed by other entities challenging the decision. On July 8, 2024, the California Supreme Court issued a unanimous opinion concluding that the CPUC did not regularly seek to exercise its authority when it prohibited water utilities from proposing to continue their water revenue adjustment mechanisms. Accordingly, the California Supreme Court vacated the portion of the CPUC's 2020 decision relating to this prohibition against continuation of such water revenue adjustment mechanisms.

Independent of the judicial challenge, California passed Senate Bill 1469, which allows the CPUC to consider and authorize the implementation of a mechanism that separates the water corporation's revenue and its water sales. Legislation was signed by the Governor on September 30, 2022, and became effective on January 1, 2023. In response to the legislation, on January 27, 2023, the Company's California subsidiary filed an updated application requesting the CPUC to consider a Water Resources Sustainability Plan decoupling mechanism in its 2022 general rate case. On December 5, 2024, the CPUC denied the California subsidiary's proposed Water Resources Sustainability Plan decoupling mechanism but approved continuation of its currently effective Annual Consumption Adjustment Mechanism. On December 12, 2024, the California subsidiary filed an application for rehearing of the CPUC's denial of the proposed Water Resources Sustainability Plan decoupling mechanism.

On March 2, 2021, an administrative law judge ("ALJ") in the Office of Administrative Law of New Jersey filed an initial decision with the NJBPU that recommended denial of a petition filed by the Company's New Jersey subsidiary, which sought approval of acquisition adjustments in rate base of $29 million associated with the acquisitions of Shorelands Water Company, Inc. in 2017 and the Borough of Haddonfield's water and wastewater systems in 2015. On July 29, 2021, the NJBPU issued an order adopting the ALJ's initial decision without modification. The Company's New Jersey subsidiary filed a Notice of Appeal with the New Jersey Appellate Division on September 10, 2021. On December 30, 2024, the New Jersey Appellate Division of the New Jersey Superior Court affirmed the NJBPU decision rejecting the acquisition adjustments. There is no financial impact to the Company as a result of the NJBPU's order and resulting appeal decision, since the acquisition adjustments are currently recorded as goodwill on the Consolidated Balance Sheets.

Regulatory Assets

Regulatory assets represent costs that are probable of recovery from customers in future rates. Approximately 50% of the Company's total regulatory asset balance at December 31, 2024, earns a return. Presented in the table below is the composition of regulatory assets as of December 31:

	2024	2023
Removal costs recoverable through rates	$ 356	$ 322
Deferred pension expense	318	308
Customer lead line replacements	86	66
Unamortized debt expense	84	82
Regulatory balancing accounts	71	81
Programmed maintenance expense	57	58
Purchase premium recoverable through rates	50	52
Other	128	137
Total regulatory assets	$ 1,150	$ 1,106

Removal costs recoverable through rates represent costs incurred for removal of property, plant and equipment or other retirement costs.

The Company's deferred pension expense includes a portion of the underfunded status that is probable of recovery through rates in future periods of $304 million and $300 million as of December 31, 2024 and 2023, respectively. The remaining portion is the pension expense in excess of authorized amounts which is deferred by certain subsidiaries and probable of recovery in future service rates.

Customer lead line replacements are the costs incurred to replace customer owned lead service lines. Costs are recovered through a customer's surcharge or through base rates, depending on the jurisdiction.

Unamortized debt expense is amortized over the lives of the respective issues. Call premiums on the redemption of long-term debt, as well as unamortized debt issuance costs, are deferred and amortized to the extent they will be recovered through future service rates.

Programmed maintenance expense are costs incurred to inspect or paint water tanks and are amortized on a straight line basis over a period determined by each state regulator.

Purchase premiums recoverable through rates are being recovered over periods up to 40 years.

Regulatory balancing accounts accumulate differences between revenues recognized and authorized revenue requirements until they are collected from customers or are refunded. Regulatory balancing accounts include low income programs, purchased power and water accounts, dam removal costs and other cost balancing mechanisms.

Other regulatory assets include the financial impacts relating to the COVID-19 pandemic, certain construction costs for treatment facilities, property tax stabilization, employee-related costs, business services project expenses, coastal water project costs, rate case expenditures and environmental remediation costs among others. These costs are deferred because the amounts are being recovered in rates or are probable of recovery through rates in future periods.

The Company has current regulatory assets of $19 million and $13 million included in other current assets on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

Regulatory Liabilities

Regulatory liabilities generally represent amounts that are probable of being credited or refunded to customers through the rate making process. Also, if costs expected to be incurred in the future are currently being recovered through rates, the Company records those expected future costs as regulatory liabilities. Presented in the table below is the composition of regulatory liabilities as of December 31:

	2024	2023
Income taxes recovered through rates	$ 1,016	$ 1,064
Removal costs recovered through rates	245	254
Postretirement benefit liability	71	85
Other	84	78
Total regulatory liabilities	$ 1,416	$ 1,481

Income taxes recovered through rates relate to deferred taxes that will be refunded to the Company's customers. The enactment of the Tax Cuts and Jobs Act of 2017 (the "TCJA") required a re-measurement of the Company's deferred income taxes. The portion of this re-measurement related to the Regulated Businesses was substantially offset by a regulatory liability as EADIT which will be used to benefit its regulated customers in future rates. All of the Company's regulated subsidiaries are amortizing EADIT and crediting customers.

Removal costs recovered through rates are estimated costs to retire assets at the end of their expected useful lives that are recovered through customer rates over the lives of the associated assets.

Postretirement benefit liability includes a portion of the over-funded status that is probable of refund through rates in future periods. The remaining portion represents prior service credits resulting from announced plan amendments which changed benefits for certain union and non-union plan participants.

Other regulatory liabilities include the financial impacts relating to the COVID-19 pandemic, TCJA reserves on revenue, pension and other postretirement benefit balancing accounts, legal settlement proceeds, deferred gains, refunds to customers related to tax overpayments, and various regulatory balancing accounts.

The Company has no current regulatory liabilities and had $1 million of current regulatory liabilities included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

Note 4: Revenue Recognition

Disaggregated Revenues

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2024:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 2,344	$ 5	$ 2,349
Commercial	881	4	885
Fire service	164	—	164
Industrial	182	2	184
Public and other	291	—	291
Total water services	3,862	11	3,873
Wastewater services:			
Residential	243	2	245
Commercial	70	—	70
Industrial	12	—	12
Public and other	36	—	36
Total wastewater services	361	2	363
Miscellaneous utility charges	42	—	42
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	4,265	31	4,296
Other	388	—	388
Total operating revenues	$ 4,653	$ 31	$ 4,684

(a) Includes revenues associated with provisional rates, alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2023:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 2,143	$ —	$ 2,143
Commercial	798	—	798
Fire service	158	—	158
Industrial	167	—	167
Public and other	274	—	274
Total water services	3,540	—	3,540
Wastewater services:			
Residential	228	—	228
Commercial	62	—	62
Industrial	8	—	8
Public and other	29	—	29
Total wastewater services	327	—	327
Miscellaneous utility charges	35	—	35
Alternative revenue programs	—	10	10
Lease contract revenue	—	8	8
Total Regulated Businesses	3,902	18	3,920
Other	315	(1)	314
Total operating revenues	$ 4,217	$ 17	$ 4,234

(a) Includes revenues associated with alternative revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Presented in the table below are operating revenues disaggregated for the year ended December 31, 2022:

	Revenues from Contracts with Customers	Other Revenues Not from Contracts with Customers (a)	Total Operating Revenues
Regulated Businesses:			
Water services:			
Residential	$ 1,938	$ 3	$ 1,941
Commercial	709	1	710
Fire service	147	—	147
Industrial	152	1	153
Public and other	252	—	252
Total water services	3,198	5	3,203
Wastewater services:			
Residential	173	1	174
Commercial	45	—	45
Industrial	4	—	4
Public and other	19	—	19
Total wastewater services	241	1	242
Miscellaneous utility charges	36	—	36
Alternative revenue programs	—	15	15
Lease contract revenue	—	9	9
Total Regulated Businesses	3,475	30	3,505
Other	288	(1)	287
Total operating revenues	$ 3,763	$ 29	$ 3,792

(a) Includes revenues associated with alternative provisional rates, revenue programs, lease contracts and intercompany rent, which are outside the scope of ASC 606, and accounted for under other existing GAAP.

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. In MSG, certain contracts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets are recorded when billing occurs subsequent to revenue recognition and are reclassified to accounts receivable when billed and the right to consideration becomes unconditional. Contract liabilities are recorded when the Company receives advances from customers prior to satisfying contractual performance obligations, particularly for construction contracts, and are recognized as revenue when the associated performance obligations are satisfied.

Contract assets of $84 million, $95 million and $86 million are included in unbilled revenues on the Consolidated Balance Sheets as of December 31, 2024, 2023 and 2022, respectively. Also, contract assets of $39 million are included in other long-term assets on the Consolidated Balance Sheets as of December 31, 2024, and there were no contract assets in other long-term assets on the Consolidated Balance Sheets as of December 31, 2023 and 2022. There were $114 million of contract assets added during 2024, and $86 million of contract assets were transferred to accounts receivable during 2024. There were $87 million of contract assets added during 2023, and $78 million of contract assets were transferred to accounts receivable during 2023.

Contract liabilities of $40 million, $63 million and $91 million are included in other current liabilities on the Consolidated Balance Sheets as of December 31, 2024, 2023 and 2022, respectively. Also, contract liabilities of $14 million are included in other long-term liabilities on the Consolidated Balance Sheets as of December 31, 2024, and there were no contract liabilities in other long-term liabilities on the Consolidated Balance Sheets as of December 31, 2023 and 2022. There were $83 million of contract liabilities added during 2024, and $92 million of contract liabilities were recognized as revenue during 2024. There were $103 million of contract liabilities added during 2023, and $131 million of contract liabilities were recognized as revenue during 2023.

Remaining Performance Obligations

Remaining performance obligations ("RPOs") represent revenues the Company expects to recognize in the future from contracts that are in progress. The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. As of December 31, 2024, the Company's O&M and capital improvement contracts have RPOs. Contracts with the U.S. government for work on military installations expire between 2051 and 2073 and have RPOs of $7.4 billion as of December 31, 2024, as measured by estimated remaining contract revenue. Such contracts are subject to customary termination provisions held by the U.S. government, prior to the agreed-upon contract expiration. Contracts with municipalities and commercial customers expire between 2026 and 2038 and have RPOs of $612 million as of December 31, 2024, as measured by estimated remaining contract revenue.

Note 5: Acquisitions and Divestitures

Regulated Businesses

During 2024, the Company closed on 13 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $417 million, of which $415 million was funded in 2024, and which acquisitions added approximately 69,500 water and wastewater customers. These totals include the acquisitions from the Butler Area Sewer Authority and Granite City noted below. Assets acquired from all 2024 acquisitions, principally utility plant, totaled $426 million and liabilities assumed totaled $10 million. Seven of these acquisitions were accounted for as business combinations. The preliminary purchase price allocations related to acquisitions accounted for as business combinations will be finalized once the valuation of assets acquired has been completed, no later than one year after their respective acquisition date.

On October 29, 2024, the Company's Pennsylvania subsidiary acquired the wastewater collection and treatment system assets from the Butler Area Sewer Authority for a purchase price of $230 million, in cash. This system provides wastewater service for approximately 15,000 customer connections. Assets acquired from this acquisition, principally utility plant, totaled $229 million and $1 million of goodwill. This acquisition was accounted for as a business combination.

On March 11, 2024, the Company's Illinois subsidiary completed the acquisition of a wastewater treatment plant and related assets from Granite City for a cash purchase price of $86 million, which added approximately 26,000 wastewater customers, including 15,500 customers indirectly in surrounding communities. Assets acquired from this acquisition, principally utility plant, totaled $91 million and liabilities assumed totaled $5 million. This acquisition was accounted for as a business combination.

During 2023, the Company closed on 23 acquisitions of various regulated water and wastewater systems for a total aggregate purchase price of $77 million, $2 million of which was funded as a deposit in 2021, and which acquisitions added approximately 18,100 water and wastewater customers. Assets acquired from these acquisitions, principally utility plant, totaled $81 million and liabilities assumed totaled $4 million. Five of these acquisitions were accounted for as business combinations.

The pro forma impact of the Company's acquisitions was not material to the Consolidated Statements of Operations for the years ended December 31, 2024, 2023 and 2022.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests in subsidiaries that comprised HOS to a wholly owned subsidiary (the "Buyer") of funds advised by Apax Partners LLP, a global private equity advisory firm, for total consideration of approximately $1.275 billion. The consideration at closing was comprised of $480 million in cash, a secured seller note payable in cash and issued by the Buyer in the principal amount of $720 million, with an interest rate of 7.00% per year, and a contingent cash payment of $75 million payable upon satisfaction of certain conditions on or before December 31, 2023.

On February 2, 2024, this note was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of the $75 million contingent cash payment payable under the HOS sale agreement. In addition, the interest rate payable on the secured seller note has increased from 7.00% per year to 10.00% per year until maturity. The Company recognized $77 million, $50 million, and $50 million of interest income during the years ended December 31, 2024, 2023 and 2022, respectively, from this note. The secured seller note requires compliance with affirmative and negative covenants (subject to certain conditions, limitations and exceptions), including a covenant limiting the incurrence by the Buyer and certain affiliates of additional indebtedness in excess of certain thresholds, but does not include any financial maintenance covenants. Certain of these covenants were amended, including to provide for annual reductions of specified debt incurrence ratios. Furthermore, the amendment to the secured seller note eliminated the conditional right, beginning December 9, 2024, to require a repayment, without premium or penalty, of 100% of the outstanding principal amount in full in cash together with all accrued and unpaid interest and other obligations thereunder. The final maturity date of the secured seller note remains December 9, 2026. The repayment obligations of the Buyer under this note are secured by a first priority security interest in certain property of the Buyer and the former HOS subsidiaries, including their cash and securities accounts, as well as a pledge of the equity interests in each of those subsidiaries, subject to certain limitations and exceptions.

On December 3, 2024, a covenant in the secured seller note was amended to increase the maximum aggregate principal amount of revolving facility indebtedness (as defined and described thereunder) that could be incurred at any time by the Buyer and certain affiliates.

The secured seller note may not be prepaid at the Buyer's election (except in certain limited circumstances) before the fourth anniversary of the Closing Date. If the Buyer seeks to repay the secured seller note in breach of this non-call provision, an event of default will occur under the secured seller note and the Company may, among other actions, demand repayment in full together with a premium ranging from 105.5% to 107.5% of the outstanding principal amount of the loan and a customary "make-whole" payment.

Note 6: Property, Plant and Equipment

Presented in the table below are the major classes of property, plant and equipment by category as of December 31:

	2024	2023	Range of Remaining Useful Lives	Weighted Average Useful Life
Utility plant:				
Land and other non-depreciable assets	$ 302	$ 293		
Sources of supply	1,124	1,081	20 to 127 years	46 years
Treatment and pumping	4,786	4,594	3 to 101 years	39 years
Transmission and distribution	14,745	13,900	9 to 128 years	66 years
Services, meters and fire hydrants	6,356	5,696	2 to 109 years	29 years
General structures and equipment	2,813	2,512	3 to 109 years	17 years
Waste collection	1,986	1,719	5 to 113 years	53 years
Waste treatment, pumping and disposal	1,425	1,191	2 to 153 years	34 years
Construction work in progress	1,359	1,040		
Other plant	22	24		
Total utility plant	34,918	32,050		
Nonutility property	141	139	3 to 50 years	12 years
Total property, plant and equipment	$ 35,059	$ 32,189		

Property, plant and equipment depreciation expense amounted to $690 million, $617 million and $552 million for the years ended December 31, 2024, 2023 and 2022, respectively, and was included in depreciation and amortization expense on the Consolidated Statements of Operations. The provision for depreciation expressed as a percentage of the aggregate average depreciable asset balances was 2.73%, 2.68% and 2.60% for the years ended December 31, 2024, 2023 and 2022, respectively. Additionally, the Company had capital expenditures acquired on account but unpaid of $347 million and $399 million included in accrued liabilities on the Consolidated Balance Sheets as of December 31, 2024 and 2023, respectively.

In connection with the Company's capital investment in its corporate headquarters in Camden, New Jersey, the New Jersey Economic Development Authority ("NJEDA") determined that the Company was qualified to receive $161 million in tax credits over a 10-year period commencing in 2019.

The Company is required to meet various annual requirements, including the maintenance of qualified full-time positions at the qualified business facility, in order to monetize one-tenth of the tax credits annually and is subject to a claw-back period if the Company does not meet certain NJEDA requirements of the tax credit program in years 11 through 15.

In December and January of 2024, the NJEDA issued to the Company the utilization certificates for the 2022 and 2021 tax credits in the amount of $15 million and $16 million, respectively. In March of 2023, the NJEDA issued to the Company the utilization certificate for the 2020 tax credits in the amount of $16 million. The Company sold the 2022, 2021, and 2020 tax credits to an external party for $14 million, $15 million and $15 million, respectively. For the years ended December 31, 2024, 2023 and 2022, the Company recorded losses of $2 million, $1 million and $1 million, respectively, to Other income (expense) in the Consolidated Statements of Operations from the sale of tax credits. As of December 31, 2024, the Company had no current assets and $90 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2023 through 2028 tax credits. As of December 31, 2023, the Company had current assets of $32 million included in Other and $90 million of long-term assets included in Other on the Consolidated Balance Sheets for the 2021 through 2028 tax credits. In 2023, the Company reduced net realizable value of the future tax credit receivable by approximately $7 million as the Company does not expect it will be eligible to recognize the full amount of the tax credit as it expects to have lower than required eligible headcount in the future. The Company has made the necessary annual filing for the year ended December 31, 2023, and expects to make the 2024 filing in April 2025, prior to the required filing deadline. The submitted filings are under review by the NJEDA and it is expected that the Company will receive final NJEDA approval and monetize the 2023 tax credits in 2026.

Note 7: Allowance for Uncollectible Accounts

Presented in the table below are the changes in the allowances for uncollectible accounts for the years ended December 31:

	2024	2023	2022
Balance as of January 1	$ (51)	$ (60)	$ (75)
Amounts charged to expense	(31)	(24)	(24)
Amounts written off	31	28	27
Other, net (a)	(2)	5	12
Balance as of December 31	$ (53)	$ (51)	$ (60)

(a) This portion of the allowance for uncollectible accounts is primarily related to COVID-19 related regulatory asset activity.

Note 8: Goodwill

Goodwill

Presented in the table below are the changes in the carrying value of goodwill for the years ended December 31, 2024 and 2023:

	Regulated Businesses		Other		Consolidated		
	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Cost	Accumulated Impairment	Total Net
Balance as of January 1, 2023	$ 3,470	$ (2,332)	$ 113	$ (108)	$ 3,583	$ (2,440)	$ 1,143
Goodwill from acquisitions	—	—	—	—	—	—	—
Balance as of December 31, 2023	$ 3,470	$ (2,332)	$ 113	$ (108)	$ 3,583	$ (2,440)	$ 1,143
Goodwill from acquisitions	1	—	—	—	1	—	1
Balance as of December 31, 2024	$ 3,471	$ (2,332)	$ 113	$ (108)	$ 3,584	$ (2,440)	$ 1,144

The Company completed its annual impairment testing of goodwill as of November 30, 2024, which included qualitative assessments of its Regulated Businesses and MSG reporting units. Based on these assessments, the Company determined that there were no factors present that would indicate that the fair value of these reporting units was less than their respective carrying values as of November 30, 2024.

In 2024, the Company acquired goodwill of $1 million associated with one of its acquisitions in the Regulated Businesses segment. In 2023, there were no additions or impairments to the Company's goodwill.

Note 9: Shareholders' Equity

Common Stock Offering

On March 3, 2023, the Company completed an underwritten public offering of an aggregate of 12,650,000 shares of parent company common stock. Upon closing of this offering, the Company received, after deduction of the underwriting discount and before deduction of offering expenses, net proceeds of approximately $1,688 million. The Company used the net proceeds of the offering to repay short-term commercial paper obligations of American Water Capital Corp. ("AWCC"), the wholly owned finance subsidiary of parent company, and for general corporate purposes.

Dividend Reinvestment and Direct Stock Purchase Plan

Under the Company's dividend reinvestment and direct stock purchase plan (the "DRIP"), shareholders may reinvest cash common stock dividends and purchase additional shares of Company common stock, up to certain limits, through the plan administrator without paying brokerage commissions. Shares purchased by participants through the DRIP may be newly issued shares, treasury shares, or at the Company's election, shares purchased by the plan administrator in the open market or in privately negotiated transactions. Purchases generally will be made and credited to DRIP accounts once each week. As of December 31, 2024, there were approximately 4.1 million shares available for future issuance under the DRIP.

Anti-dilutive Stock Repurchase Program

In February 2015, the Company's Board of Directors authorized an anti-dilutive stock repurchase program, which allows the Company to purchase up to 10 million shares of its outstanding common stock from time to time over an unrestricted period of time. The Company did not repurchase shares of common stock during the years ended December 31, 2024 and 2023. As of December 31, 2024, there were 5.1 million shares of common stock available for purchase under the program.

Accumulated Other Comprehensive Loss

Presented in the table below are the changes in accumulated other comprehensive loss by component, net of tax, for the years ended December 31, 2024, 2023 and 2022:

	Defined Benefit Plans					
	Employee Benefit Plan Funded Status	Amortization of Prior Service Cost	Amortization of Actuarial Loss	Gain (Loss) on Cash Flow Hedge	Gain (Loss) on Fixed-Income Securities	Accumulated Other Comprehensive Income (Loss)
Beginning balance as of January 1, 2022	$ (107)	$ 1	$ 67	$ (6)	$ —	$ (45)
Other comprehensive income before reclassification	14	—	—	5	—	19
Amounts reclassified from accumulated other comprehensive income	—	—	3	—	—	3
Net other comprehensive income	14	—	3	5	—	22
Ending balance as of December 31, 2022	$ (93)	$ 1	$ 70	$ (1)	$ —	$ (23)
Other comprehensive (loss) income before reclassification	(3)	—	—	(8)	4	(7)
Amounts reclassified from accumulated other comprehensive income	—	—	4	—	—	4
Net other comprehensive (loss) income	(3)	—	4	(8)	4	(3)
Ending balance as of December 31, 2023	$ (96)	$ 1	$ 74	$ (9)	$ 4	$ (26)
Other comprehensive income (loss) before reclassification	1	—	—	39	(2)	38
Net other comprehensive income (loss)	1	—	—	39	(2)	38
Ending balance as of December 31, 2024	$ (95)	$ 1	$ 74	$ 30	$ 2	$ 12

The Company does not reclassify the amortization of defined benefit pension cost components from accumulated other comprehensive loss directly to net income in its entirety, as a portion of these costs have been deferred as a regulatory asset. These accumulated other comprehensive loss components are included in the computation of net periodic pension cost. See Note 15—Employee Benefits for additional information.

The amortization of the gain (loss) on cash flow hedges is reclassified to net income during the period incurred and is included in Interest expense in the accompanying Consolidated Statements of Operations.

An unrealized gain (loss) on available-for-sale fixed-income securities is reclassified to net income upon sale of the securities as a realized gain or loss and is included in Other, net in the accompanying Consolidated Statements of Operations.

Dividends and Distributions

The Company's Board of Directors authorizes the payment of dividends. The Company's ability to pay dividends on its common stock is subject to having access to sufficient sources of liquidity, net income and cash flows of the Company's subsidiaries, the receipt of dividends and direct and indirect distributions from, and repayments of indebtedness of, the Company's subsidiaries, compliance with Delaware corporate and other laws, compliance with the contractual provisions of debt and other agreements and other factors.

The Company's dividend rate on its common stock is determined by the Board of Directors on a quarterly basis and takes into consideration, among other factors, current and possible future developments that may affect the Company's income and cash flows. When dividends on common stock are declared, they are typically paid in March, June, September and December. Historically, dividends have been paid quarterly to holders of record as of a date less than 30 days prior to the distribution date. Since the dividends on the Company's common stock are not cumulative, only declared dividends are paid.

During 2024, 2023 and 2022, the Company paid $585 million, $532 million and $467 million in cash dividends, respectively. Presented in the table below is the per share cash dividends paid for the years ended December 31:

	2024	2023	2022
December	$ 0.7650	$ 0.7075	$ 0.6550
September	$ 0.7650	$ 0.7075	$ 0.6550
June	$ 0.7650	$ 0.7075	$ 0.6550
March	$ 0.7075	$ 0.6550	$ 0.6025

On December 6, 2024, the Company's Board of Directors declared a quarterly cash dividend payment of $0.7650 per share payable on March 4, 2025, to shareholders of record as of February 7, 2025.

Under applicable law, the Company's subsidiaries may pay dividends on their capital stock or other equity only from retained, undistributed or current earnings. A significant loss recorded at a subsidiary may limit the amount of the dividend that the subsidiary can pay. The ability of the Company's subsidiaries to pay upstream dividends, make other upstream distributions or repay indebtedness to parent company or AWCC, as applicable, is subject to compliance with applicable corporate, tax and other laws, regulatory restrictions and financial and other contractual obligations, including, for example, (i) regulatory capital, surplus or net worth requirements, (ii) outstanding debt service obligations, (iii) requirements to make preferred and preference stock dividend payments, and (iv) other contractual agreements, covenants or obligations made or entered into by the Company and its subsidiaries.

Regulatory Restrictions on Indebtedness

The issuance of long-term debt or equity securities by the Company or long-term debt by AWCC does not require authorization of any state PUC if no guarantee or pledge of the regulated subsidiaries is utilized. Based on the needs of the Regulated Businesses and parent company, AWCC may borrow funds or issue its debt in the capital markets and then, through intercompany loans, provide these borrowings to the Regulated Businesses or parent company. PUC authorization is generally required for the regulated subsidiaries to incur long-term debt. The Company's regulated subsidiaries normally obtain these required PUC authorizations on a periodic basis to cover their anticipated financing needs for a period of time, or, as necessary, in connection with a specific financing or refinancing of debt.

Note 10: Stock Based Compensation

The Company has granted stock units, stock awards and dividend equivalents to non-employee directors, officers and employees pursuant to the terms of the 2017 Omnibus Equity Compensation Plan (the "2017 Omnibus Plan"), approved by the Company's shareholders in May 2017. Stock units under the 2017 Omnibus Plan generally vest based on (i) continued employment with the Company ("RSUs"), or (ii) continued employment with the Company where distribution of the shares is subject to the satisfaction in whole or in part of stated performance-based goals ("PSUs"). A total of 7.2 million shares of common stock may be issued under the 2017 Omnibus Plan. As of December 31, 2024, 5.8 million shares were available for grant under the 2017 Omnibus Plan. The 2017 Omnibus Plan provides that grants of awards may be in any of the following forms: incentive stock options, nonqualified stock options, stock appreciation rights, stock units, stock awards, other stock-based awards and dividend equivalents. Dividend equivalents may be granted only on stock units or other stock-based awards. The 2017 Omnibus Plan expires in 2027.

The Company had granted stock options, stock units, including RSUs and PSUs, and dividend equivalents to non-employee directors, officers and other key employees of the Company under its 2007 Omnibus Equity Compensation Plan (the "2007 Plan"). The 2007 Plan has been replaced by the 2017 Omnibus Plan, as defined above, and no additional awards may be granted under the 2007 Plan. However, shares may still be issued under the 2007 Plan pursuant to the terms of awards previously issued under that plan prior to May 12, 2017.

The cost of services received from employees in exchange for the issuance of restricted stock awards is measured based on the grant date fair value of the awards issued. The value of stock unit awards at the date of the grant is amortized through expense over the requisite service period. All awards granted in 2024, 2023 and 2022 are classified as equity. The Company recognizes compensation expense for stock awards over the vesting period of the award. The Company stratified its grant populations and used historic employee turnover rates to estimate employee forfeitures. The estimated rate is compared to the actual forfeitures at the end of the reporting period and adjusted as necessary. There have been no significant adjustments to the forfeiture rates during 2024, 2023 and 2022. There were no grants of stock options to employees after 2016, and there were no stock options outstanding as of December 31, 2022. Presented in the table below is the stock-based compensation expense recorded in O&M expense in the accompanying Consolidated Statements of Operations for the years ended December 31:

	2024	2023	2022
RSUs and PSUs	$ 34	$ 23	$ 26
Nonqualified employee stock purchase plan	2	2	2
Stock-based compensation	36	25	28
Income tax benefit	(8)	(6)	(6)
Stock-based compensation expense, net of tax	$ 28	$ 19	$ 22

There were no significant stock-based compensation costs capitalized during the years ended December 31, 2024, 2023 and 2022.

Subject to limitations on deductibility imposed by the Internal Revenue Code of 1986, as amended, the Company receives a tax deduction based on the intrinsic value of the award at the exercise date for stock options and the distribution date for stock units. For each award, throughout the requisite service period, the Company records the tax impacts related to compensation costs as deferred income tax assets. The tax deductions in excess of the deferred benefits recorded throughout the requisite service period are recorded to the Consolidated Statements of Operations and are presented in the financing section of the Consolidated Statements of Cash Flows.

Stock Units

During 2024, 2023 and 2022, the Company granted RSUs to certain employees under the 2017 Omnibus Plan. RSUs generally vest based on continued employment with the Company over periods ranging from one to three years. The RSUs are valued at the closing price of the Company's common stock on the date of the grant and the majority vest ratably over a three-year service period. These RSUs are amortized through expense over the requisite service period using the straight-line method.

During 2024, 2023 and 2022, the Company granted stock units to non-employee directors under the 2017 Omnibus Plan. The stock units were vested in full on the date of grant. Prior to 2024, distribution of the shares was made within 30 days of the earlier of (i) 15 months after the date of the last annual meeting of shareholders, subject to any deferral election by the director, or (ii) the participant's separation from service. Beginning in 2024, the shares are distributed within 30 days after the date of grant. Because these stock units vested on the grant date, the total grant date fair value was recorded in operation and maintenance expense on the grant date.

The grant date fair value of RSUs granted to certain employees and stock units granted to non-employee directors totaled $10 million, $9 million and $9 million for the years ended December 31, 2024, 2023 and 2022, respectively.

Presented in the table below is RSU and director stock unit activity for the year ended December 31, 2024:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2023	64	$ 134.61
Granted	81	123.07
Vested	(59)	148.13
Forfeited	(11)	140.79
Non-vested total as of December 31, 2024	75	$ 131.20

As of December 31, 2024, $5 million of total unrecognized compensation cost related to the non-vested RSUs is expected to be recognized over the weighted average remaining life of 1.67 years. The total fair value of stock units and RSUs vested was $9 million, $6 million and $6 million for the years ended December 31, 2024, 2023 and 2022, respectively.

During 2024, 2023 and 2022, the Company granted PSUs to certain employees under the 2017 Omnibus Plan with grant date fair values totaling $23 million, $28 million and $20 million, respectively. The majority of PSUs vest ratably based on continued employment with the Company over the three-year performance period (the “Performance Period”). Distribution of the performance shares is contingent upon the achievement of one or more internal performance measures and, separately, a relative total shareholder return performance measure, over the Performance Period.

Presented in the table below is PSU activity for the year ended December 31, 2024:

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Non-vested total as of December 31, 2023	245	$ 143.26
Granted	177	127.18
Vested	(60)	157.83
Forfeited	(40)	181.71
Non-vested total as of December 31, 2024	322	$ 130.04

As of December 31, 2024, $7 million of total unrecognized compensation cost related to the non-vested PSUs is expected to be recognized over the weighted average remaining life of 0.83 years. The total fair value of PSUs vested was $23 million, $31 million and $24 million for the years ended December 31, 2024, 2023 and 2022, respectively.

PSUs granted with one or more internal performance measures are valued at the market value of the closing price of the Company’s common stock on the date of grant. PSUs granted with a relative total shareholder return condition are valued, for accounting purposes, using a Monte Carlo simulation model. Expected volatility is based on historical volatilities of traded common stock of the Company and comparative companies using daily stock prices over the past three years. The expected term is three years and the risk-free interest rate is based on the three-year U.S. Treasury rate in effect as of the measurement date. Presented in the table below are the weighted average assumptions used in the Monte Carlo simulation and the weighted average grant date fair values of PSUs granted for the years ended December 31:

	2024	2023	2022
Expected volatility	22.98%	25.45%	29.69%
Risk-free interest rate	4.39%	4.31%	1.90%
Expected life (years)	3.0	3.0	3.0
Grant date fair value per share	$118.95	$168.00	$99.23

The grant date fair value of PSUs that vest ratably and have market and/or performance conditions are amortized through expense over the requisite service period using the graded-vesting method.

Employee Stock Purchase Plan

The Company maintains a nonqualified employee stock purchase plan (the "ESPP") that expires in 2027 through which employee participants (which excludes certain of the Company's executives) may use payroll deductions to acquire Company common stock at a purchase price of 85% of the fair market value of the common stock at the end of a three-month purchase period. A total of 2.0 million shares may be issued under the ESPP, and as of December 31, 2024, there were 1.4 million shares of common stock reserved for issuance under the ESPP. The ESPP is considered compensatory. During the years ended December 31, 2024, 2023 and 2022, the Company issued approximately 90,000, 87,000 and 82,000 shares, respectively, under the ESPP.

Note 11: Long-Term Debt

The Company obtains long-term debt through AWCC primarily to fund capital expenditures of the Regulated Businesses, to repay or refinance existing long-term and short-term debt, and to lend funds to parent company to refinance debt and for other purposes. Presented in the table below are the components of long-term debt as of December 31:

	Rate	Weighted Average Rate	Maturity	2024	2023
Long-term debt of AWCC: (a)					
Senior notes—fixed rate	2.30%-8.27%	4.02%	2025-2054	$ 11,786	$ 10,786
Private activity bonds and government funded debt—fixed rate	0.00%-3.88%	3.07%	2028-2045	187	188
Long-term debt of other American Water subsidiaries:					
Private activity bonds and government funded debt—fixed rate	0.00%-5.00%	2.04%	2025-2061	761	729
Mortgage bonds—fixed rate	6.35%-9.19%	7.41%	2025-2039	456	516
Mandatorily redeemable preferred stock	8.47%-9.75%	8.64%	2036	3	3
Long-term debt		4.01%		13,193	12,222
Unamortized debt discount, net (b)				(20)	(11)
Unamortized debt issuance costs				(15)	(18)
Less current portion of long-term debt				(637)	(475)
Total long-term debt				$ 12,521	$ 11,718

(a) This indebtedness is considered "debt" for purposes of a support agreement between parent company and AWCC, which serves as a functional equivalent of a full and unconditional guarantee by parent company of AWCC's payment obligations under such indebtedness.

(b) Includes debt discount, net of fair value adjustments previously recognized in acquisition purchase accounting.

All mortgage bonds and $752 million of the private activity bonds and government funded debt held by the Company's subsidiaries were collateralized as of December 31, 2024.

Long-term debt agreements contain a number of covenants that, among other things, limit, subject to certain exceptions, AWCC from issuing debt secured by the Company's consolidated assets. Certain long-term note covenants require the Company to maintain a ratio of consolidated total indebtedness to consolidated total capitalization (each as defined in the relevant documents) of not more than 0.70 to 1.00. The ratio as of December 31, 2024, was 0.58 to 1.00. In addition, the Company has $824 million of notes which include the right to redeem the notes at par value, in whole or in part, from time to time, subject to certain restrictions, with a weighted average interest rate of 2.51%.

Presented in the table below are future sinking fund payments and debt maturities:

	Amount
2025	$ 637
2026	1,478
2027	686
2028	868
2029	936
Thereafter	8,588

Presented in the table below are the issuances of long-term debt in 2024:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	5.15%-5.45%	5.30%	2034-2054	$ 1,400
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-1.75%	0.01%	2025-2061	46
Total issuances					$ 1,446

The Company incurred debt issuance costs of $14 million related to the above issuances.

Presented in the table below are the retirements and redemptions of long-term debt in 2024 through sinking fund provisions, optional redemption or payment at maturity:

Company	Type	Rate	Weighted Average Rate	Maturity	Amount
AWCC	Senior notes—fixed rate	3.85%	3.85%	2024	$ 400
AWCC	Private activity bonds and government funded debt—fixed rate	1.79%-2.31%	2.24%	2024-2031	1
Other American Water subsidiaries	Private activity bonds and government funded debt—fixed rate	0.00%-5.50%	1.53%	2024-2061	14
Other American Water subsidiaries	Mortgage bonds—fixed rate	6.99%-7.17%	7.13%	2024	60
Total retirements and redemptions					$ 475

On February 23, 2024, AWCC completed a $1.4 billion debt offering, which included the sale of $700 million aggregate principal amount of its 5.150% Senior Notes due 2034 and $700 million aggregate principal amount of its 5.450% Senior Notes due 2054. At the closing of this offering, AWCC received, after deduction of underwriting discounts and before deduction of offering expenses, net proceeds of approximately $1,381 million. AWCC used the net proceeds of the offering (i) to lend funds to American Water and the Regulated Businesses; (ii) to repay at maturity AWCC's 3.850% Senior Notes due 2024; (iii) to repay AWCC's commercial paper obligations; and (iv) for general corporate purposes.

On June 29, 2023, AWCC issued $1,035 million aggregate principal amount of 3.625% Exchangeable Senior Notes due 2026 (the "Notes"). AWCC received net proceeds of approximately $1,022 million, after deduction of underwriting discounts and commissions but before deduction of offering expenses payable by AWCC. A portion of the net proceeds was used to repay AWCC's commercial paper obligations and the remainder was used for general corporate purposes. The Notes will mature on June 15, 2026 (the "Maturity Date"), unless earlier exchanged or repurchased.

The Notes are exchangeable at an initial exchange rate of 5.8213 shares of parent company's common stock per $1,000 principal amount of Notes (equivalent to an initial exchange price of approximately $171.78 per share of common stock). The initial exchange rate of the Notes is subject to adjustment as provided in the indenture pursuant to which the Notes were issued (the "Note Indenture"). Prior to the close of business on the business day immediately preceding March 15, 2026, the Notes are exchangeable at the option of the noteholders only upon the satisfaction of specified conditions and during certain periods described in the Note Indenture. On or after March 15, 2026, until the close of business on the business day immediately preceding the Maturity Date, the Notes will be exchangeable at the option of the noteholders at any time regardless of these conditions or periods. Upon any exchange of the Notes, AWCC will (i) pay cash up to the aggregate principal amount of the Notes and (ii) pay or deliver (or cause to be delivered), as the case may be, cash, shares of parent company's common stock, or a combination of cash and shares of such common stock, at AWCC's election, in respect of the remainder, if any, of AWCC's exchange obligation in excess of the aggregate principal amount of the Notes being exchanged.

AWCC may not redeem the Notes prior to the Maturity Date, and no sinking fund is provided for the Notes. Subject to certain conditions, holders of the Notes will have the right to require AWCC to repurchase all or a portion of their Notes upon the occurrence of a fundamental change, as defined in the Note Indenture, at a repurchase price of 100% of their principal amount plus any accrued and unpaid interest.

One of the principal market risks to which the Company is exposed is changes in interest rates. In order to manage the exposure, the Company follows risk management policies and procedures, including the use of derivative contracts such as treasury lock agreements. The Company also reduces exposure to interest rates by managing commercial paper and debt maturities. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments. The derivative contracts entered into are for periods consistent with the related underlying exposures. The Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations and minimizes this risk by dealing only with leading, creditworthy financial institutions having long-term credit ratings of "A-" or better.

During the second half of 2024, the Company entered into eight treasury lock agreements, with a term of 10 years or 30 years, with notional amounts totaling $355 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in June 2025 and December 2025 and have an average fixed interest rate of 4.03%. In 2025, the Company entered into five additional treasury lock agreements, with a term of 10 years, with notional amounts totaling $275 million, to reduce interest rate exposure on debt expected to be issued in 2025. These treasury lock agreements terminate in March 2025 and have an average fixed interest rate of 4.60%. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss.

The Company had entered into 15 treasury lock agreements through February 2024, with notional amounts totaling $825 million. The Company designated these treasury lock agreements as cash flow hedges, with their fair value recorded in accumulated other comprehensive gain or loss. In February 2024, the Company terminated the treasury lock agreements realizing a pre-tax net gain of $14 million, to be amortized through Interest expense over a 10-year period or 30-year period, in accordance with the tenor of the notes issued on February 23, 2024.

No ineffectiveness was recognized on hedging instruments for the years ended December 31, 2024, 2023 or 2022.

Note 12: Short-Term Debt

Liquidity needs for capital investment, working capital and other financial commitments are generally funded through cash flows from operations, public and private debt offerings, issuances of commercial paper and equity, and, if and to the extent necessary, borrowings under the AWCC revolving credit facility. AWCC maintains an unsecured revolving credit facility which provides $2.75 billion in aggregate total commitments from a diversified group of financial institutions. On October 28, 2024, the termination date of the credit agreement with respect to AWCC's revolving credit facility was extended, as permitted by the terms of the credit agreement, from October 2028 to October 2029. The revolving credit facility is used principally to support AWCC's commercial paper program, to provide additional liquidity support and to provide a sub-limit for the issuance of up to $150 million in letters of credit. Letters of credit are non-debt instruments maintained to provide credit support for certain transactions as requested by third parties. Subject to satisfying certain conditions, the credit agreement permits AWCC to increase the maximum commitment under the facility by up to an aggregate of $500 million. The Company regularly evaluates the capital markets and closely monitors the financial condition of the financial institutions with contractual commitments in its revolving credit facility. Interest rates on advances under the facility are based on a credit spread to the Secured Overnight Financing Rate (or applicable market replacement rate) or base rate, each determined in accordance with Moody's Ratings and S&P Global Ratings' then applicable credit rating on AWCC's senior unsecured, non-credit enhanced debt.

Short-term debt consists of commercial paper borrowings totaling $880 million and $180 million as of December 31, 2024 and 2023, respectively, or net of discount $879 million and $179 million as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, AWCC had no outstanding borrowings under the revolving credit facility and there were no commercial paper borrowings outstanding with maturities greater than three months.

Presented in the tables below are the aggregate credit facility commitment, commercial paper limit and letter of credit availability under the revolving credit facility, as well as the available capacity for each, as of December 31:

	2024		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(880)	(82)	(962)
Remaining availability as of December 31, 2024	$ 1,720	$ 68	$ 1,788

(a) Total remaining availability of $1.8 billion as of December 31, 2024, was accessible through revolver draws.

	2023		
	Commercial Paper Limit	Letters of Credit	Total (a)
Total availability	$ 2,600	$ 150	$ 2,750
Outstanding debt	(180)	(75)	(255)
Remaining availability as of December 31, 2023	$ 2,420	$ 75	$ 2,495

(a) Total remaining availability of $2.5 billion as of December 31, 2023, was accessible through revolver draws.

Presented in the table below is the Company's total available liquidity as of December 31, 2024 and 2023, respectively:

	Cash and Cash Equivalents	Availability on Revolving Credit Facility	Total Available Liquidity
Available liquidity as of December 31, 2024	$ 96	$ 1,788	$ 1,884
Available liquidity as of December 31, 2023	$ 330	$ 2,495	$ 2,825

Presented in the table below is the short-term borrowing activity for AWCC for the years ended December 31:

	2024	2023
Average borrowings	$ 161	$ 288
Maximum borrowings outstanding	$ 880	$ 1,570
Weighted average interest rates, as of December 31	4.65 %	5.51 %

The credit facility requires the Company to maintain a ratio of consolidated debt to consolidated capitalization of not more than 0.70 to 1.00. The ratio as of December 31, 2024, was 0.58 to 1.00.

The Company does not have any material borrowings that are subject to default or prepayment as a result of a downgrading of securities, although such a downgrading could increase fees and interest charges under AWCC's revolving credit facility.

Note 13: General Taxes

Presented in the table below are the components of general tax expense for the years ended December 31:

	2024	2023	2022
Property and capital stock	$ 125	$ 119	$ 108
Gross receipts and franchise	140	134	124
Payroll	41	38	36
Other general	14	16	13
Total general taxes	$ 320	$ 307	$ 281

Note 14: Income Taxes

Presented in the table below are the components of income tax expense for the years ended December 31:

	2024	2023	2022
Current income taxes:			
State	$ 16	$ 16	$ 26
Federal	136	28	82
Total current income taxes	$ 152	$ 44	$ 108
Deferred income taxes:			
State	$ 53	$ 44	$ 24
Federal	104	165	57
Amortization of deferred investment tax credits	(1)	(1)	(1)
Total deferred income taxes	156	208	80
Provision for income taxes	$ 308	$ 252	$ 188

Presented in the table below is a reconciliation between the statutory federal income tax rate and the Company's effective tax rate for the years ended December 31:

	2024	2023	2022
Income tax at statutory rate	21.0 %	21.0 %	21.0 %
Increases (decreases) resulting from:			
State taxes, net of federal taxes	4.0 %	4.0 %	4.1 %
EADIT	(2.7)%	(4.2)%	(6.5)%
Other, net	0.4 %	0.3 %	0.1 %
Effective tax rate	22.7 %	21.1 %	18.7 %

Presented in the table below are the components of the net deferred tax liability as of December 31:

	2024	2023
Deferred tax assets:		
Advances and contributions	$ 493	$ 478
Tax losses and credits	128	17
Regulatory income tax assets	181	191
Pension and other postretirement benefits	64	75
Other	163	172
Total deferred tax assets	1,029	933
Valuation allowance	(8)	(11)
Total deferred tax assets, net of allowance	$ 1,021	$ 922
Deferred tax liabilities:		
Property, plant and equipment	$ 3,553	$ 3,269
Deferred pension and other postretirement benefits	86	84
Other	244	268
Total deferred tax liabilities	3,883	3,621
Total deferred tax liabilities, net of deferred tax assets	$ (2,862)	$ (2,699)

As of December 31, 2024 and 2023, the Company had state net operating loss ("NOL") carryforwards of $251 million and $238 million, respectively, a portion of which are offset by a valuation allowance as the Company does not believe these NOLs are more likely than not to be realized. The state NOL carryforwards expire in 2025 through 2044.

On August 16, 2022, the Inflation Reduction Act of 2022 (the "IRA") was signed into law. The IRA contains a 15% Corporate Alternative Minimum Tax ("CAMT") provision on applicable corporations effective January 1, 2023. To determine if a company is considered an applicable corporation subject to CAMT, the company's average adjusted financial statement income ("AFSI") for the three consecutive years preceding the tax year must exceed $1.0 billion. An applicable corporation must make several adjustments to net income when determining AFSI. A corporation paying CAMT is eligible for a future tax credit, which can be carried forward indefinitely and utilized when regular tax exceeds CAMT. Based on current guidance, the Company is an applicable corporation subject to CAMT beginning in 2024. As of December 31, 2024, the Company has a CAMT credit carryforward of $111 million.

On September 12, 2024, the Internal Revenue Service ("IRS") and the U.S. Treasury issued Notice 2024-66, allowing corporate taxpayers to exclude amounts attributable to the CAMT liability, without penalty, from estimated tax payments with respect to a taxable year that begins during 2024. The Company will include the CAMT liability in its 2024 extension payment due April 15, 2025. The Company will continue to assess the impacts of the IRA as the U.S. Treasury and the IRS provide further guidance.

The Company files income tax returns in the United States federal jurisdiction and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state or local or non-U.S. income tax examinations by tax authorities for taxable years ended December 31, 2019 and prior.

Presented in the table below are the changes in gross liability, excluding interest and penalties, for unrecognized tax benefits:

	Amount
Balance as of January 1, 2022	$ 140
Increases in current period tax positions	26
Decreases in prior period measurement of tax positions	(8)
Balance as of December 31, 2022	$ 158
Increases in current period tax positions	27
Decreases in prior period measurement of tax positions	(37)
Balance as of December 31, 2023	$ 148
Increases in current period tax positions	34
Increases in prior period measurement of tax positions	21
Balance as of December 31, 2024	$ 203

The Company's tax positions relate primarily to the deductions claimed for repair and maintenance costs on its utility plant. The Company expects a reduction of approximately $81 million in its unrecognized tax benefits within the next year due to the expiration of statutes of limitation, offset by current year activity.

If the Company sustains all of its positions as of December 31, 2024, an unrecognized tax benefit of $8 million, excluding interest and penalties, would impact the Company's effective tax rate. The Company had an immaterial amount of interest and penalties related to its tax positions as of December 31, 2024 and 2023.

Presented in the table below are the changes in the valuation allowance:

	Amount
Balance as of January 1, 2022	$ 10
Increases in current period tax positions	1
Balance as of December 31, 2022	$ 11
Increases in current period tax positions	—
Balance as of December 31, 2023	$ 11
Decreases in current period tax positions	(3)
Balance as of December 31, 2024	$ 8

Note 15: Employee Benefits

Overview of Pension and Other Postretirement Benefits Plans

The Company maintains noncontributory defined benefit pension plans covering eligible employees of its regulated utility and shared services operations. Benefits under the plans are based on the employee's years of service and compensation. The pension plans have been closed for all new employees. The pension plans were closed for most employees hired on or after January 1, 2006. Union employees hired on or after January 1, 2001, except for specific eligible groups specified in the plan, had their accrued benefit frozen and will be able to receive this benefit as a lump sum upon termination or retirement. Union employees hired on or after January 1, 2001, and non-union employees hired on or after January 1, 2006, are provided with a defined contribution plan that includes a 5.25% of base pay Company-funded defined contribution account. The Company does not participate in a multi-employer plan. The Company also has unfunded noncontributory supplemental nonqualified pension plans that provide additional retirement benefits to certain employees.

The Company's pension funding practice is to contribute at least the greater of the minimum amount required by the Employee Retirement Income Security Act of 1974 or the normal cost. Further, the Company will consider additional cash contributions and/or available prefunding balances if needed to avoid "at risk" status and benefit restrictions under the Pension Protection Act of 2006 ("PPA"). The Company may also consider increased contributions, based on other financial requirements and the plans' funded position. Pension expense in excess of the amount contributed to the pension plans is deferred by certain regulated subsidiaries pending future recovery in rates charged for utility services as contributions are made to the plans. See Note 3—Regulatory Matters for additional information. Pension plan assets are invested in a number of actively managed, commingled funds, and limited partnerships including equities, fixed income securities, guaranteed annuity contracts with insurance companies, real estate funds and real estate investment trusts ("REITs").

The Company maintains other postretirement benefit plans providing varying levels of medical and life insurance to eligible retirees. The retiree welfare plans are closed for union employees hired on or after January 1, 2006. The plans had previously closed for non-union employees hired on or after January 1, 2002. The Company's policy is to fund other postretirement benefit costs up to the amount recoverable through rates. Assets of the plans are invested in a number of actively managed funds in the form of separate accounts, commingled funds and limited partnerships, including equities and fixed income securities.

The Company engages third-party investment managers for all invested assets. Managers are not permitted to invest outside of the asset class (e.g., fixed income, equity, alternatives) or strategy for which they have been appointed. Investment management agreements and recurring performance and attribution analysis are used as tools to ensure investment managers invest solely within the investment strategy they have been provided. Futures and options may be used to adjust portfolio duration to align with a plan's targeted investment policy.

In order to minimize asset volatility relative to the liabilities, a portion of plan assets is allocated to long duration fixed income investments that are exposed to interest rate risk. Increases in interest rates generally will result in a decline in the value of fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities. Within equities, risk is mitigated by constructing a portfolio that is broadly diversified by geography, market capitalization, manager mandate size, investment style and process. For the Bargained Retiree Voluntary Employees' Beneficiary Association ("Bargained VEBA") trust, its asset structure is designed to meet the cash flows of the liabilities. This design reduces the plan's exposure to changes in interest rates.

Actual allocations to each asset class vary from target allocations due to periodic investment strategy updates, market value fluctuations, the length of time it takes to fully implement investment allocations, and the timing of benefit payments and contributions. The asset allocation is rebalanced on a quarterly basis, if necessary.

Pension Plan Assets

The investment policy guideline of the pension plan is focused on diversification, improving returns and reducing the volatility of the funded status over a long-term horizon. None of the Company's securities are included in pension plan assets.

The Company uses fair value for all classes of assets in the calculation of market-related value of plan assets. As of December 31, 2024, the fair values and asset allocations of the pension plan assets include the American Water Pension Plan and the American Water Pension Plan for Certain Inactive Participants.

Presented in the tables below are the fair values and asset allocations of the pension plan assets as of December 31, 2024 and 2023, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2024
Cash	$ 40	$ 40	$ —	$ —	$ —	3 %
Equity securities:						
U.S. large cap	155	29	—	—	126	11 %
U.S. small cap	34	34	—	—	—	2 %
International	258	—	—	—	258	19 %
Real estate fund	120	—	—	—	120	9 %
REITs	6	—	—	—	6	— %
Fixed income securities:						
U.S. Treasury securities and government bonds	232	169	1	—	62	17 %
Corporate bonds	489	—	489	—	—	35 %
Mortgage-backed securities	6	—	6	—	—	— %
Municipal bonds	20	—	20	—	—	2 %
Guarantee annuity contracts	32	—	—	32	—	2 %
Total	$ 1,392	$ 272	$ 516	$ 32	$ 572	100 %

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3) (a)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Cash	$ 56	$ 56	$ —	$ —	$ —	4 %
Equity securities:						
U.S. large cap	134	23	—	—	111	9 %
U.S. small cap	37	37	—	—	—	3 %
International	235	—	—	—	235	16 %
Real estate fund	132	—	—	—	132	9 %
REITs	6	—	—	—	6	— %
Fixed income securities:						
U.S. Treasury securities and government bonds	234	171	2	—	61	16 %
Corporate bonds	531	—	531	—	—	38 %
Mortgage-backed securities	8	—	8	—	—	1 %
Municipal bonds	23	—	23	—	—	2 %
Long duration bond fund	3	—	—	—	3	— %
Guarantee annuity contracts	32	—	—	32	—	2 %
Total	$ 1,431	$ 287	$ 564	$ 32	$ 548	100 %

(a) There were no material changes during the period for the fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2024 and 2023, respectively.

The Company's 2025 target pension plan asset allocation is 37% equity securities and 63% fixed income securities. The Company's 2024 target pension plan asset allocation was 37% equity securities and 63% fixed income securities.

Other Postretirement Benefit Plan Assets

The investment policy guidelines of the postretirement plans focus on the appropriate strategy given the funded status of the plans. None of the Company's securities are included in other postretirement benefit plan assets. The Company's postretirement benefit plans have different levels of funded status and the assets are held under various trusts. The investments and risk mitigation strategies for the plans are tailored specifically for each trust. In setting new strategic asset mixes, consideration is given to the likelihood that the selected asset allocation will effectively fund the projected plan liabilities and meet the risk tolerance criteria of the Company. The Company periodically updates the long-term, strategic asset allocations for these plans through asset liability studies and uses various analytics to determine the optimal asset allocation. Considerations include plan liability characteristics, liquidity needs, funding requirements, expected rates of return and the distribution of returns. The American Water Retiree Welfare Plan ("Retiree Welfare Plan") is funded by the Bargained VEBA trust, the Non-Bargained Retiree Voluntary Employees' Beneficiary Association ("Non-Bargained VEBA") trust, the Voluntary Employees' Beneficiary Association ("Active VEBA") trust, and the American Water Life Insurance Voluntary Employees' Beneficiary Association Trust.

Presented in the tables below are the fair values and asset allocations of the postretirement benefit plan assets as of December 31, 2024 and 2023, respectively, by asset category:

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2024
Bargained VEBA:						
Cash	$ 4	$ 4	$ —	$ —	$ —	4 %
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7 %
Corporate bonds	83	—	83	—	—	86 %
Municipal bonds	3	—	3	—	—	3 %
Total bargained VEBA	$ 97	$ 11	$ 86	$ —	$ —	100 %
Active VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	7 %
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	7 %
Corporate bonds	23	—	23	—	—	82 %
Municipal bonds	1	—	1	—	—	4 %
Total Active VEBA	$ 28	$ 4	$ 24	$ —	$ —	100 %
Non-bargained VEBA:						
Cash	$ 3	$ 3	$ —	$ —	$ —	2 %
Equity securities:						
U.S. large cap	46	46	—	—	—	36 %
International	30	30	—	—	—	23 %
Fixed income securities:						
U.S. Treasury securities and government bonds	1	1	—	—	—	1 %
Municipal bonds	48	—	48	—	—	38 %
Total non-bargained VEBA	$ 128	$ 80	$ 48	$ —	$ —	100 %
Total	$ 253	$ 95	$ 158	$ —	$ —	100 %

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient	Percentage of Plan Assets as of December 31, 2023
Bargained VEBA:						
Cash	$ 4	$ 4	$ —	$ —	$ —	4 %
Fixed income securities:						
U.S. Treasury securities and government bonds	7	7	—	—	—	7 %
Corporate bonds	86	—	86	—	—	85 %
Municipal bonds	4	—	4	—	—	4 %
Total bargained VEBA	$ 101	$ 11	$ 90	$ —	$ —	100 %
Active VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	6 %
Fixed income securities:						
U.S. Treasury securities and government bonds	2	2	—	—	—	6 %
Corporate bonds	26	—	26	—	—	82 %
Municipal bonds	2	—	2	—	—	6 %
Total Active VEBA	$ 32	$ 4	$ 28	$ —	$ —	100 %
Non-bargained VEBA:						
Cash	$ 2	$ 2	$ —	$ —	$ —	2 %
Equity securities:						
U.S. large cap	44	44	—	—	—	35 %
International	30	30	—	—	—	24 %
Fixed income securities:						
Municipal bonds	49	—	49	—	—	39 %
Total non-bargained VEBA	$ 125	$ 76	$ 49	$ —	$ —	100 %
Total	$ 258	$ 91	$ 167	$ —	$ —	100 %

The Company's 2025 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA is 100% fixed income securities and for the Non-bargained VEBA is 60% equity securities and 40% fixed income securities. The Company's 2024 target postretirement benefit plan asset allocation for the Bargained VEBA and Active VEBA was 100% fixed income securities and for the Non-bargained VEBA was 60% equity securities and 40% fixed income securities.

Valuation Techniques Used to Determine Fair Value

Cash—Cash and investments with maturities of three months or less when purchased, including certain short-term fixed-income securities, are considered cash and are included in the recurring fair value measurements hierarchy as Level 1.

Equity securities —For equity securities, the trustees obtain prices from pricing services, whose prices are obtained from direct feeds from market exchanges, that the Company is able to independently corroborate. Certain equity securities are valued based on quoted prices in active markets and categorized as Level 1. Other equities, such as certain U.S. large cap and international securities held in the pension plan, are invested in commingled funds and/or limited partnerships. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds and/or limited partnerships, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed monthly or more frequently, with 30 or less days of notice and without further restrictions.

Fixed-income securities—Certain U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets and their prices can be corroborated. The fair values of corporate bonds, mortgage backed securities, and certain government bonds are based on prices that reflect observable market information, such as actual trade information of similar securities. These securities are categorized as Level 2 because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate. Exchange-traded future and option positions are reported in accordance with changes in variation margins that are settled daily. Exchange-traded futures and options, for which market quotations are readily available, are valued at the last reported sale price or official closing price on the primary market or exchange on which they are traded and are classified as Level 1. Other U.S. Treasury securities are invested in commingled funds that may implement their investment strategies in a variety of ways which may include direct and/or indirect investment in securities and other instruments or assets (e.g., futures and swaps) or investment in units of other commingled funds. These funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. Since NAV is not directly observable or not available on a nationally recognized securities exchange for the commingled funds, they are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Real estate fund—Real estate funds are an investment vehicle in the form of a limited partnership primarily focused in real estate investments and are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed quarterly, with 90 or less days of notice, subject to available cash.

REITs—REITs are invested in commingled funds primarily focused in publicly traded shares of real estate investment trusts. Commingled funds are valued to reflect the plan fund's interest in the fund based on the reported year-end NAV. REITs are not included in the fair value hierarchy as they are measured at fair value using the NAV per share (or its equivalent) practical expedient. These investments can typically be redeemed daily, with no prior notice and without further restrictions.

Guaranteed annuity contracts—Guaranteed annuity contracts are categorized as Level 3 because the investments are not publicly quoted. Since these market values are determined by the provider, they are not highly observable and have been categorized as Level 3.

Benefit Obligations, Plan Assets and Funded Status

Presented in the table below is a rollforward of the changes in the benefit obligation and plan assets for the two most recent years, for all plans combined:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Change in benefit obligation:				
Benefit obligation as of January 1,	$ 1,622	$ 1,578	$ 247	$ 255
Service cost	17	17	2	2
Interest cost	83	85	12	14
Plan participants' contributions	—	—	3	3
Actuarial loss (gain)	(55)	67	(18)	(4)
Settlements	(2)	(3)	—	—
Gross benefits paid	(105)	(118)	(22)	(24)
Federal subsidy	—	—	1	1
Other adjustments	—	(4)	—	—
Benefit obligation as of December 31,	$ 1,560	$ 1,622	$ 225	$ 247
Change in plan assets:				
Fair value of plan assets as of January 1,	$ 1,431	$ 1,413	$ 258	$ 254
Actual return on plan assets	19	93	11	22
Employer contributions	49	46	3	3
Plan participants' contributions	—	—	3	3
Settlements	(2)	(3)	—	—
Benefits paid	(105)	(118)	(22)	(24)
Fair value of plan assets as of December 31,	$ 1,392	$ 1,431	$ 253	$ 258
Funded value as of December 31,	$ (168)	$ (191)	$ 28	$ 11
Amounts recognized on the balance sheet:				
Noncurrent asset	$ 51	$ 73	$ 29	$ 12
Current liability	(2)	(2)	—	—
Noncurrent liability	(217)	(262)	(1)	(1)
Net amount recognized	$ (168)	$ (191)	$ 28	$ 11

Presented in the table below are the components of accumulated other comprehensive income and regulatory assets that have not been recognized as components of periodic benefit costs as of December 31:

	Pension Benefits		Other Benefits	
	2024	2023	2024	2023
Net actuarial loss	$ 337	$ 340	$ 13	$ 30
Prior service credit	(5)	(8)	(84)	(115)
Net amount recognized	$ 332	$ 332	$ (71)	$ (85)
Regulatory assets (liabilities)	$ 304	$ 300	$ (71)	$ (85)
Accumulated other comprehensive income	28	32	—	—
Total	$ 332	$ 332	$ (71)	$ (85)

Presented in the tables below are the aggregate projected benefit obligation, accumulated benefit obligation and aggregate fair value of plan assets for pension plans with a projected obligation in excess of plan assets as of December 31:

	Projected Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2024	2023
Projected benefit obligation	$ 916	$ 952
Fair value of plan assets	697	688

	Accumulated Benefit Obligation Exceeds the Fair Value of Plans' Assets	
	2024	2023
Accumulated benefit obligation	$ 852	$ 875
Fair value of plan assets	697	688

The accumulated postretirement plan assets exceed benefit obligations for the Company's other postretirement benefit plans, except for the Northern Illinois Retiree Welfare Plan, of which the accumulated postretirement benefit obligation is inconsequential for all periods presented.

Contributions

The PPA requires that defined benefit plans contribute to 100% of the current liability funding target over seven years. Defined benefit plans with a funding status of less than 80% of the current liability are defined as being "at risk" and additional funding requirements and benefit restrictions may apply. The Company's qualified defined benefit plan is currently funded above the at-risk threshold, and therefore the Company expects that the plans will not be subject to the "at risk" funding requirements of the PPA. The Company is proactively monitoring the plan's funded status and projected contributions under the law to appropriately manage the potential impact on cash requirements.

Minimum funding requirements for the qualified defined benefit pension plan are determined by government regulations and not by accounting pronouncements. The Company plans to contribute amounts at least equal to or greater than the minimum required contributions or the normal cost in 2025 to the qualified pension plans. Contributions may be in the form of cash contributions as well as available prefunding balances.

Presented in the table below is information about the expected cash flows for the pension and postretirement benefit plans:

	Pension Benefits	Other Benefits
2025 expected employer contributions:		
To plan trusts	$ 44	$ —
To plan participants	2	—

Estimated Future Benefit Payments

Presented in the table below are the net benefits expected to be paid from the plan assets or the Company's assets:

	Pension Benefits	Other Benefits	
	Expected Benefit Payments	Expected Benefit Payments	Expected Federal Subsidy Payments
2025	$ 121	$ 22	$ 1
2026	122	22	1
2027	124	22	1
2028	124	21	1
2029	125	20	1
2030-2034	612	90	2

Because the above amounts are net benefits, plan participants' contributions have been excluded from the expected benefits.

Assumptions

Accounting for pensions and other postretirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other postretirement benefit expense that the Company recognizes.

Presented in the table below are the significant assumptions related to the pension and other postretirement benefit plans:

	Pension Benefits			Other Benefits		
	2024	2023	2022	2024	2023	2022
Weighted average assumptions used to determine December 31 benefit obligations:						
Discount rate	5.70%	5.18%	5.58%	5.69%	5.22%	5.60%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.50% in 2025 to 5.00% in 2031+	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+
Weighted average assumptions used to determine net periodic cost:						
Discount rate	5.18%	5.58%	2.94%	5.22%	5.60%	2.90%
Expected return on plan assets	6.73%	6.79%	6.50%	5.00%	5.00%	3.60%
Rate of compensation increase	3.51%	3.51%	3.51%	N/A	N/A	N/A
Medical trend	N/A	N/A	N/A	graded from 6.75% in 2024 to 5.00% in 2031+	graded from 7.00% in 2023 to 5.00% in 2031+	graded from 6.00% in 2022 to 5.00% in 2026+

NOTE: "N/A" in the table above means assumption is not applicable.

The discount rate assumption was determined for the pension and postretirement benefit plans independently. The Company uses an approach that approximates the process of settlement of obligations tailored to the plans' expected cash flows by matching the plans' cash flows to the coupons and expected maturity values of individually selected bonds. Historically, for each plan, the discount rate was developed at the level equivalent rate that would produce the same present value as that using spot rates aligned with the projected benefit payments.

The expected long-term rate of return on plan assets is based on historical and projected rates of return, prior to administrative and investment management fees, for current and planned asset classes in the plans' investment portfolios. Assumed projected rates of return for each of the plans' projected asset classes were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. Based on the target asset allocation for each asset class, the overall expected rate of return for the portfolio was developed, adjusted for historical and expected experience of active portfolio management results compared to the benchmark returns. The Company's pension expense increases as the expected return on assets decreases. The Company used a weighted average expected return on plan assets of 6.73% to estimate its 2024 pension benefit costs, and an expected blended return based on weighted assets of 5.00% to estimate its 2024 other postretirement benefit costs.

For the years ended December 31, 2024, 2023 and 2022, the Company's mortality assumption utilized the Pri-2012 base mortality table with the MP-2021 mortality improvement scale.

Components of Net Periodic Benefit Cost

Presented in the table below are the components of net periodic benefit costs for the years ended December 31:

	2024	2023	2022
Components of net periodic pension benefit cost (credit):			
Service cost	$ 17	$ 17	$ 30
Interest cost	83	85	64
Expected return on plan assets	(94)	(94)	(122)
Amortization of prior service (credit) cost	(3)	(3)	(3)
Amortization of actuarial loss	22	13	21
Settlements	1	1	—
Net periodic pension benefit cost (credit)	$ 26	$ 19	$ (10)
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss	$ (1)	$ 3	$ (14)
Amortization of actuarial loss	—	(4)	(3)
Total recognized in other comprehensive income	(1)	(1)	(17)
Total recognized in net periodic benefit cost (credit) and other comprehensive income	$ 25	$ 18	$ (27)
Components of net periodic other postretirement benefit (credit) cost:			
Service cost	$ 2	$ 2	$ 3
Interest cost	12	14	10
Expected return on plan assets	(12)	(12)	(19)
Amortization of prior service credit	(31)	(31)	(31)
Amortization of actuarial loss	—	2	—
Net periodic other postretirement benefit (credit) cost	$ (29)	$ (25)	$ (37)

Savings Plans for Employees

The Company maintains 401(k) savings plans that allow employees to save for retirement on a tax-deferred basis. Employees can make contributions that are invested at their direction in one or more funds. The Company makes matching contributions based on a percentage of an employee's contribution, subject to certain limitations. Due to the Company's discontinuing new entrants into the defined benefit pension plan, on January 1, 2006, the Company began providing an additional 5.25% of base pay defined contribution benefit for union employees hired on or after January 1, 2001 and non-union employees hired on or after January 1, 2006. The Company's 401(k) savings plan expenses totaled $15 million, $14 million and $13 million for 2024, 2023 and 2022, respectively. Additionally, the Company's 5.25% of base pay defined contribution benefit expenses totaled $18 million, $17 million and $16 million for 2024, 2023 and 2022, respectively. All of the Company's contributions are invested in one or more funds at the direction of the employees.

Note 16: Commitments and Contingencies

Commitments have been made in connection with certain construction programs. The estimated capital expenditures required under legal and binding contractual obligations amounted to $1.1 billion as of December 31, 2024.

The Company's regulated subsidiaries maintain agreements with other water purveyors for the purchase of water to supplement their water supply. Presented in the table below are the future annual commitments related to minimum quantities of purchased water having non-cancelable contracts:

	Amount
2025	$ 81
2026	70
2027	63
2028	64
2029	64
Thereafter	859

The Company enters into agreements for the provision of services to water and wastewater facilities for the U.S. military, municipalities and other customers. See Note 4—Revenue Recognition for additional information regarding the Company's performance obligations.

Contingencies

The Company is routinely involved in legal actions incident to the normal conduct of its business. As of December 31, 2024, the Company has accrued approximately $16 million of probable loss contingencies and has estimated that the maximum amount of loss associated with reasonably possible loss contingencies arising out of such legal actions, which can be reasonably estimated, is $9 million. For certain legal actions, the Company is unable to estimate possible losses. The Company believes that damages or settlements, if any, recovered by plaintiffs in such legal actions, other than as described in this Note 16—Commitments and Contingencies, will not have a material adverse effect on the Company.

Dunbar, West Virginia Class Action Litigation

On the evening of June 23, 2015, a 36-inch pre-stressed concrete transmission water main, installed in the early 1970s, failed. The water main is part of the West Relay pumping station located in the City of Dunbar, West Virginia and owned by the Company's West Virginia subsidiary ("WVAWC"). The failure of the main caused water outages and low pressure for up to approximately 25,000 WVAWC customers. In the early morning hours of June 25, 2015, crews completed a repair, but that same day, the repair developed a leak. On June 26, 2015, a second repair was completed, and service was restored that day to approximately 80% of the impacted customers, and to the remaining approximately 20% by the next morning. The second repair showed signs of leaking, but the water main was usable until June 29, 2015, to allow tanks to refill. The system was reconfigured to maintain service to all but approximately 3,000 customers while a final repair was being completed safely on June 30, 2015. Water service was fully restored by July 1, 2015, to all customers affected by this event.

On June 2, 2017, a complaint captioned *Jeffries, et al. v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of residents and business owners who lost water service or pressure as a result of the Dunbar main break. The complaint alleges breach of contract by WVAWC for failure to supply water, violation of West Virginia law regarding the sufficiency of WVAWC's facilities and negligence by WVAWC in the design, maintenance and operation of the water system. The *Jeffries* plaintiffs seek unspecified alleged damages on behalf of the class for lost profits, annoyance and inconvenience, and loss of use, as well as punitive damages for willful, reckless and wanton behavior in not addressing the risk of pipe failure and a large outage.

In February 2020, the *Jeffries* plaintiffs filed a motion seeking class certification on the issues of breach of contract and negligence, and to determine the applicability of punitive damages and a multiplier for those damages if imposed. In July 2020, the Circuit Court entered an order granting the *Jeffries* plaintiffs' motion for certification of a class regarding certain liability issues but denying certification of a class to determine a punitive damages multiplier. Trial in this matter had been scheduled for January 2025.

On January 17, 2025, before trial commenced, the parties notified the Circuit Court that an agreement in principle to settle this litigation was reached among the parties. Under the terms of the agreement in principle and any subsequent proposed settlement agreement, WVAWC has not admitted, and will not admit, any fault or liability for any of the allegations made by the *Jeffries* plaintiffs. The proposed maximum pre-tax amount of the settlement is approximately $18 million, of which the Company currently estimates that approximately $5 million would be contributed by the Company and WVAWC, and the remainder would be contributed by certain of the Company's general liability insurance carriers. The actual total amount to be paid to claimants through this settlement will depend upon the claims submitted and approved through a claims process to be negotiated by the parties and approved by the Circuit Court. The parties will next negotiate and enter into a proposed settlement agreement based on the terms of the agreement in principle, and the proposed settlement agreement will be subject to preliminary and final approvals by the Circuit Court.

The final amount of the Company's and WVAWC's contributions to the settlement remains subject to uncertainty; however, the Company does not currently anticipate that Company's maximum liability for the settlement will materially exceed $5 million. As a result, the Company has recorded a charge to earnings, net of insurance receivables, of $5.0 million ($3.9 million after-tax) in the fourth quarter of 2024. The Company intends to fund its and WVAWC's contributions to the settlement through existing sources of liquidity, although no contribution by the Company or WVAWC will be required unless and until a proposed settlement agreement has been entered into and finally approved by the Circuit Court.

Chattanooga, Tennessee Class Action Litigation

On September 12, 2019, the Company's Tennessee subsidiary ("TAWC"), experienced a leak in a 36-inch water transmission main, which caused service fluctuations or interruptions to TAWC customers and the issuance of a boil water notice. TAWC repaired the main by early morning on September 14, 2019, and restored full water service by the afternoon of September 15, 2019, with the boil water notice lifted for all customers on September 16, 2019.

On September 17, 2019, a complaint captioned *Bruce, et al. v. American Water Works Company, Inc., et al.* was filed in the Circuit Court of Hamilton County, Tennessee against TAWC, the Company and American Water Works Service Company, Inc. ("Service Company" and, together with TAWC and the Company, collectively, the "Tennessee-American Water Defendants"), on behalf of a proposed class of individuals or entities who lost water service or suffered monetary losses as a result of the Chattanooga incident (the "Tennessee Plaintiffs"). The complaint alleged breach of contract and negligence against the Tennessee-American Water Defendants, as well as an equitable remedy of piercing the corporate veil. In the complaint as originally filed, the Tennessee Plaintiffs were seeking an award of unspecified alleged damages for wage losses, business and economic losses, out-of-pocket expenses, loss of use and enjoyment of property and annoyance and inconvenience, as well as punitive damages, attorneys' fees and pre- and post-judgment interest.

In September 2020, the court dismissed all of the Tennessee Plaintiffs' claims in their complaint, except for the breach of contract claims against TAWC, which remain pending. In October 2020, TAWC answered the complaint, and the parties have been engaging in discovery. In January 2023, after hearing oral argument, the court issued an oral ruling denying the Tennessee Plaintiffs' motion for class certification. In February 2023, the Tennessee Plaintiffs sought reconsideration of the ruling by the court, and any final ruling is appealable to the Tennessee Court of Appeals, as allowed under Tennessee law. In September 2023, the court upheld its prior ruling but gave the Tennessee Plaintiffs the option to file an amended class definition. In October 2023, the Tennessee Plaintiffs filed an amended class definition seeking certification of a business customer-only class. On June 14, 2024, the court issued its written order denying the Tennessee Plaintiffs' amended class and incorporating its denial of certification of the original residential class. On June 21, 2024, the Tennessee Plaintiffs appealed both of the court's orders denying class certification. This appeal remains pending.

The Company and TAWC believe that TAWC has valid, meritorious defenses to the claims raised in this class action complaint. TAWC will continue to vigorously defend itself against these allegations. Given the current stage of this proceeding, the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Mountaineer Gas Company Main Break

During the afternoon of November 10, 2023, WVAWC was informed that an 8-inch ductile iron water main owned by WVAWC, located on the West Side of Charleston, West Virginia and originally installed in approximately 1989, experienced a leak. In the early morning hours of November 11, 2023, WVAWC crews successfully completed a repair to the water main. A precautionary boil water advisory was issued the same day to approximately 300 WVAWC customers and ultimately lifted on November 12, 2023.

On November 10, 2023, a break was reported in a low-pressure natural gas main located near the affected WVAWC water main, and an inflow of water into the natural gas main and associated delivery pipelines occurred. The natural gas main and pipelines are owned by Mountaineer Gas Company, a regulated natural gas distribution company serving over 220,000 customers in West Virginia ("Mountaineer Gas"). The resulting inflow of water into the natural gas main and related pipelines resulted in a loss of natural gas service to approximately 1,500 Mountaineer Gas customers, as well as water entering customer service lines and certain natural gas appliances owned or used by some of the affected Mountaineer Gas customers. Mountaineer Gas reported that restoration of natural gas service to all affected gas mains occurred on November 24, 2023. The timing, order and causation of both the WVAWC water main break and Mountaineer Gas's main break are currently unknown and under investigation.

To date, a total of four pending lawsuits have been filed against Mountaineer Gas and WVAWC purportedly on behalf of customers in Charleston, West Virginia related to these incidents. On November 14, 2023, a complaint captioned *Ruffin et al. v. Mountaineer Gas Company and West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of Mountaineer Gas residential and business customers and other households and businesses supplied with natural gas in Kanawha County, which lost natural gas service on November 10, 2023, as a result of these events. The complaint alleges, among other things, breach of contract by Mountaineer Gas, trespass by WVAWC, nuisance by WVAWC, violation of statutory obligations by Mountaineer Gas and WVAWC, and negligence by Mountaineer Gas and WVAWC. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for loss of use of natural gas, annoyance, inconvenience and lost profits, as well as punitive damages.

On November 15, 2023, a complaint captioned *Toliver et al. v. West Virginia-American Water Company and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all natural persons or entities who are citizens of the State of West Virginia and who are customers of WVAWC and/or Mountaineer Gas in the affected areas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass and strict liability, as well as breach of contract against Mountaineer Gas. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property damage, loss of use and enjoyment of property, annoyance and inconvenience and business losses, as well as punitive damages.

On November 16, 2023, a complaint captioned *Dodson et al. v. West Virginia American Water and Mountaineer Gas Company* was filed in West Virginia Circuit Court in Kanawha County on behalf of an alleged class of all West Virginia citizens living between Pennsylvania Avenue south of Washington Street, and Iowa Street, who are customers of Mountaineer Gas. The complaint alleges against Mountaineer Gas and WVAWC, among other things, negligence, nuisance, trespass, statutory code violations and unfair or deceptive business practices. The complaint seeks class-wide damages against Mountaineer Gas and WVAWC for property loss and damage, loss of use and enjoyment of property, mental and emotional distress, and aggravation and inconvenience, as well as punitive damages.

On January 4, 2024, a fourth complaint, captioned *Thomas v. West Virginia-American Water Company and Mountaineer Gas Company*, was filed in West Virginia Circuit Court in Kanawha County asserting similar allegations as those included in the *Ruffin*, *Toliver* and *Dodson* lawsuits, with the addition of counts alleging unjust enrichment and violations of the West Virginia Human Rights Act and the West Virginia Consumer Credit and Protection Act.

On November 17, 2023, the *Ruffin* plaintiff filed a motion to consolidate the class action lawsuits before a single judge in Kanawha County Circuit Court. On June 14, 2024, the judge in the *Ruffin* case partially granted the motion by transferring all of the four class action lawsuits to her court but deferring as premature consolidation of the cases.

On December 5, 2023, a complaint captioned *Mountaineer Gas Company v. West Virginia-American Water Company* was filed in West Virginia Circuit Court in Kanawha County seeking damages under theories of trespass, negligence and implied indemnity. The damages being sought related to the incident include, among other things, repair and response costs incurred by Mountaineer Gas and attorneys' fees and expenses incurred by Mountaineer Gas. On December 14, 2023, Mountaineer Gas filed a motion with the Supreme Court of West Virginia to transfer this case to the West Virginia Business Court. On December 29, 2023, WVAWC filed a joinder in the motion to transfer the case. WVAWC has also filed a partial motion to dismiss this lawsuit. On March 6, 2024, the motion to transfer this complaint to the West Virginia Business Court was granted and trial and resolution judges were assigned. Mountaineer Gas voluntarily dismissed its implied indemnity count against WVAWC, rendering moot WVAWC's partial motion to dismiss, and on May 31, 2024, WVAWC answered the complaint. The Business Court has set a trial date of October 7, 2025, for this matter.

On December 20, 2023, Mountaineer Gas filed answers to each of the first three class action lawsuits, which included cross-claims against WVAWC alleging that Mountaineer Gas is without fault for the claims and damages alleged in the lawsuits and WVAWC should be required to indemnify Mountaineer Gas for any damages and for attorneys' fees and expenses incurred by Mountaineer Gas in the lawsuits. WVAWC has filed a partial motion to dismiss certain claims in the *Ruffin, Toliver, Dodson* and *Thomas* lawsuits and a motion to dismiss the cross-claims asserted against WVAWC therein by Mountaineer Gas. Mountaineer Gas subsequently voluntarily dismissed its cross-claims. On January 30, 2024, a motion was filed with the West Virginia Supreme Court on behalf of the *Toliver* plaintiff to refer the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On February 7, 2024, WVAWC filed a motion joining in that referral request. On February 19, 2024, Mountaineer Gas filed a motion opposing the referral of the four class action complaints and the *Mountaineer Gas* complaint to the West Virginia Mass Litigation Panel. On May 31, 2024, the West Virginia Supreme Court denied the motion seeking referral. The Kanawha County Circuit Court has set a trial date of February 2, 2026, for the class action complaints.

On December 6, 2023, WVAWC initiated a process whereby Mountaineer Gas customers could file claims with WVAWC and seek payment from WVAWC of up to $2,000 in damages per affected household for the inconvenience arising from a loss of use of their appliances and documented out-of-pocket expenses as a result of the natural gas outage. In light of the diminishing number of new claims that had been filed, the claims process was concluded on March 8, 2024. As of December 31, 2024, a total of 594 Mountaineer Gas customers completed this claims process, and each of those customers has been paid by WVAWC an average of approximately $1,500. In return, these customers were required to execute a partial release of liability in favor of WVAWC.

On November 16, 2023, the WVPSC issued an order initiating a general investigation into both the water main break and natural gas outages occurring in this incident to determine the cause or causes thereof, as well as breaks and outages generally throughout the systems of WVAWC and Mountaineer Gas and the utility practices of both utilities. Following a series of disagreements among the parties regarding the scope of discovery, the WVPSC closed the general investigation into both utilities and ordered a separate general investigation for each utility. The WVPSC focused the two general investigations away from the cause of the events and instead on the maintenance practices of each utility during and after the main breaks. On January 29, 2024, the Consumer Advocate Division of the WVPSC filed a motion to intervene in the WVAWC general investigation.

On April 24, 2024, the staff issued a final joint memorandum in the Mountaineer Gas general investigation stating its view that Mountaineer Gas responded appropriately, reasonably and according to Mountaineer Gas's written procedures. The staff is making no recommendations for improvements to Mountaineer Gas and is recommending that the Mountaineer Gas general investigation be closed. On July 24, 2024, the staff issued a final joint memorandum in the WVAWC general investigation finding no indication of systematic failure by WVAWC and concluding WVAWC's maintenance and operating procedures were adequate to ensure safe and reliable service, subject to the implementation by WVAWC of three recommended operational improvements. Both general investigations remain pending.

The Company and WVAWC believe that the causes of action and other claims asserted against WVAWC in the class action complaints and the lawsuit filed by Mountaineer Gas are without merit and that WVAWC has valid, meritorious defenses to such claims. WVAWC continues to defend itself vigorously in these litigation proceedings.

Given the current stage of these proceedings and the general investigation, the Company and WVAWC are currently unable to predict the outcome of any of the proceedings described above, and the Company cannot currently determine the likelihood of a loss, if any, or estimate the amount of any loss or a range of loss related to this proceeding.

Alternative Water Supply in Lieu of Carmel River Diversions

Compliance with Orders to Reduce Carmel River Diversions—Monterey Peninsula Water Supply Project

Under a 2009 order (the "2009 Order") of the State Water Resources Control Board (the "SWRCB"), the Company's California subsidiary ("Cal Am") is required to decrease significantly its yearly diversions of water from the Carmel River according to a set reduction schedule. In 2016, the SWRCB issued an order (the "2016 Order," and, together with the 2009 Order, the "Orders") approving a deadline of December 31, 2021, for Cal Am's compliance with these prior orders.

Cal Am is currently involved in developing the Monterey Peninsula Water Supply Project (the "Water Supply Project"), which includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water and the Monterey Peninsula Water Management District (the "MPWMD"), as well as an expanded aquifer storage and recovery program. The Water Supply Project is intended, among other things, to fulfill Cal Am's obligations under the Orders.

Cal Am's ability to move forward on the Water Supply Project is and has been subject to administrative review by the CPUC and other government agencies, obtaining necessary permits, and intervention from other parties. In 2016, the CPUC unanimously approved a final decision to authorize Cal Am to enter into a water purchase agreement for the GWR Project and to construct a pipeline and pump station facilities and recover up to $50 million in associated incurred costs, plus AFUDC, subject to meeting certain criteria.

In 2018, the CPUC unanimously approved another final decision finding that the Water Supply Project meets the CPUC's requirements for a certificate of public convenience and necessity and an additional procedural phase was not necessary to consider alternative projects. The CPUC's 2018 decision concludes that the Water Supply Project is the best project to address estimated future water demands in Monterey, and, in addition to the cost recovery approved in its 2016 decision, adopts Cal Am's cost estimates for the Water Supply Project, which amounted to an aggregate of $279 million plus AFUDC at a rate representative of Cal Am's actual financing costs. The 2018 final decision specifies the procedures for recovery of all of Cal Am's prudently incurred costs associated with the Water Supply Project upon its completion, subject to the frameworks included in the final decision related to cost caps, operation and maintenance costs, financing, ratemaking and contingency matters. The reasonableness of the Water Supply Project

costs will be reviewed by the CPUC when Cal Am seeks cost recovery for the Water Supply Project. Cal Am is also required to implement mitigation measures to avoid, minimize or offset significant environmental impacts from the construction and operation of the Water Supply Project and comply with a mitigation monitoring and reporting program, a reimbursement agreement for CPUC costs associated with that program, and reporting requirements on plant operations following placement of the Water Supply Project in service. Cal Am has incurred $281 million in aggregate costs as of December 31, 2024, related to the Water Supply Project, which includes $88 million in AFUDC.

In September 2021, Cal Am, Monterey One Water and the MPWMD reached an agreement on Cal Am's purchase of additional water from an expansion to the GWR Project. On December 5, 2022, the CPUC issued a final decision that authorized Cal Am to enter into the amended water purchase agreement, and specifically to increase pumping capacity and reliability of groundwater extraction from the Seaside Groundwater Basin. The final decision sets the cost cap for the proposed facilities at approximately $62 million. Cal Am may seek recovery of amounts above the cost cap in a subsequent rate filing or general rate case. Additionally, the final decision authorizes AFUDC at Cal Am's actual weighted average cost of debt for most of the facilities. On December 30, 2022, Cal Am filed with the CPUC an application for rehearing of the CPUC's December 5, 2022, final decision, and on March 30, 2023, the CPUC issued a decision denying Cal Am's application for rehearing, but adopting its proposed AFUDC for already incurred and future costs. The decision also provided Cal Am the opportunity to serve supplemental testimony to increase its cost cap for certain of the Water Supply Project's extraction wells. The amended water purchase agreement and a memorandum of understanding to negotiate certain milestones related to the expansion of the GWR Project have been signed by the relevant parties. Further hearings were scheduled in a Phase 2 to this CPUC proceeding to focus on updated supply and demand estimates for the Water Supply Project, and Phase 2 testimony was completed in September 2022. On October 23, 2023, a status conference was held to determine procedural steps to conclude the proceeding. Further evidentiary hearings were held in March 2024. This matter remains pending.

While Cal Am believes that its expenditures to date have been prudent and necessary to comply with the Orders, as well as relevant final decisions of the CPUC related thereto, Cal Am cannot currently predict its ability to recover all of its costs and expenses associated with the Water Supply Project and there can be no assurance that Cal Am will be able to recover all of such costs and expenses in excess of the $112 million in aggregate construction costs, plus applicable AFUDC, previously approved by the CPUC in its 2016 and December 2022 final decisions, as amended by its March 30, 2023 rehearing decision.

Coastal Development Permit Application

In 2018, Cal Am submitted a coastal development permit application (the "Marina Application") to the City of Marina (the "City") for those project components of the Water Supply Project located within the City's coastal zone. Members of the City's Planning Commission, as well as City councilpersons, have publicly expressed opposition to the Water Supply Project. In May 2019, the City issued a notice of final local action based upon the denial by the Planning Commission of the Marina Application. Thereafter, Cal Am appealed this decision to the Coastal Commission, as permitted under the City's code and the California Coastal Act. At the same time, Cal Am submitted an application (the "Original Jurisdiction Application") to the Coastal Commission for a coastal development permit for those project components located within the Coastal Commission's original jurisdiction. After Coastal Commission staff issued reports recommending denial of the Original Jurisdiction Application, noting potential impacts on environmentally sensitive habitat areas and wetlands and possible disproportionate impacts to communities of concern, in September 2020, Cal Am withdrew the Original Jurisdiction Application in order to address the staff's environmental justice concerns. In November 2020, Cal Am refiled the Original Jurisdiction Application.

In October 2022, Cal Am announced a phasing plan for the proposed desalination plant component of the Water Supply Project. The desalination plant and slant wells originally approved by the CPUC would produce up to 6.4 million gallons of desalinated water per day. Under the phased approach, the facilities would initially be constructed to produce up to 4.8 million gallons per day of desalinated water, enough to meet anticipated demand through about 2030, and would limit the number of slant wells initially constructed. As demand increases in the future, desalination facilities would be expanded to meet the additional demand. The phased approach seeks to meet near-term demand by allowing for additional supply as it becomes needed, while also providing an opportunity for regional future public participation and was developed by Cal Am based on feedback received from the community.

In November 2022, the Coastal Commission approved the Marina Application and the Original Jurisdiction Application with respect to the phased development of the proposed desalination plant, subject to compliance with a number of conditions, all of which Cal Am expects to satisfy. In December 2022, the City, Marina Coast Water District ("MCWD"), MCWD's groundwater sustainability agency, and the MPWMD jointly filed a petition for writ of mandate in Monterey County Superior Court against the Coastal Commission, alleging that the Coastal Commission violated the California Coastal Act and the California Environmental Quality Act in issuing a coastal development permit to Cal Am for construction of slant wells for the Water Supply Project. Cal Am is named as a real party in interest. On April 24, 2024, the court granted defendants' motion for judgment on the pleadings and dismissed one of MCWD's causes of action in the petition. A trial commenced on December 9, 2024, and further proceedings continued in January 2025. This matter remains pending.

Following the issuance of the coastal development permit, Cal Am continues to work constructively with all appropriate agencies to provide necessary information in connection with obtaining the remaining required permits for the Water Supply Project. However, there can be no assurance that the Water Supply Project in its current configuration will be completed on a timely basis, if ever. For the year ended December 31, 2024, Cal Am has complied with the diversion limitations contained in the 2016 Order. Continued compliance with the diversion limitations in 2025 and future years may be impacted by a number of factors, including without limitation potential recurrence of drought conditions in California and the exhaustion of water supply reserves, and will require successful development of alternate water supply sources sufficient to meet customer demand. The Orders remain in effect until Cal Am certifies to the SWRCB, and the SWRCB concurs, that Cal Am has obtained a permanent supply of water to substitute for past unauthorized Carmel River diversions. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs and obligations to Cal Am, including fines and penalties against Cal Am in the event of noncompliance with the Orders.

Cal Am's Action for Damages Following Termination of Regional Desalination Project ("RDP")

In 2010, the CPUC had approved the RDP, which was a precursor to the current Water Supply Project and called for the construction of a desalination facility in the City of Marina. The RDP was to be implemented through a Water Purchase Agreement and ancillary agreements (collectively, the "Agreements") among MCWD, Cal Am and the Monterey County Water Resources Agency ("MCWRA"). In 2011, due to a conflict of interest concerning a former member of MCWRA's Board of Directors, MCWRA stated that the Agreements were void, and, as a result, Cal Am terminated the Agreements. In ensuing litigation filed by Cal Am in 2012 to resolve the termination of the RDP, the court in 2015 entered a final judgment agreeing with Cal Am's position that four of the five Agreements are void, and one, the credit line agreement, is not void. As a result of this litigation, Cal Am was permitted to institute further proceedings, discussed below, to determine the amount of damages that may be awarded to Cal Am as a result of the failure of the RDP.

In 2015, Cal Am and MCWRA filed a complaint in San Francisco County Superior Court against MCWD and RMC Water and Environment, a private engineering consulting firm ("RMC"), seeking to recover compensatory, consequential and incidental damages associated with the failure of the RDP, as well as punitive and treble damages, statutory penalties and attorneys' fees. In 2019, MCWD was granted a motion for summary judgment related to the tort claims in the complaint. A settlement as to the non-tort claims was finalized and entered into in March 2020. As part of this settlement, Cal Am's and MCWRA's right to appeal the dismissal of their tort claims against MCWD were expressly reserved, and, in July 2020, Cal Am filed its appeal. In December 2022, the trial court's decision was reversed on appeal with instructions to vacate its prior orders granting MCWD's motions for summary judgment and to enter new orders denying the motions. In February 2023, MCWD filed a petition for review of the appellate decision with the California Supreme Court, which was denied in March 2023. On June 27, 2024, MCWD filed a motion for judgment on the pleadings. Following a hearing, on December 5, 2024, the court granted MCWD's motion without leave to amend, dismissing all of Cal Am's remaining tort claims. Final judgment was entered on January 7, 2025. Cal Am intends to file a notice of appeal of the trial court's decision.

Proposed Acquisition of Monterey System Assets — Potential Condemnation

Local Agency Formation Commission Litigation

The water system assets of Cal Am located in Monterey, California (the "Monterey system assets") are the subject of a condemnation action by the MPWMD stemming from a November 2018 public ballot initiative. In 2019, the MPWMD issued a preliminary valuation and cost of service analysis report, finding in part that (1) an estimate of the Monterey system assets' total value plus adjustments would be approximately $513 million, (2) the cost of service modeling results indicate significant annual reductions in revenue requirements and projected monthly water bills, and (3) the acquisition of the Monterey system assets by the MPWMD would be economically feasible. In 2020, the MPWMD certified a final environmental impact report, analyzing the environmental impacts of the MPWMD's project to (1) acquire the Monterey system assets through the power of eminent domain, if necessary, and (2) expand its geographic boundaries to include all parts of this system.

In February 2021, the MPWMD filed an application with the Local Agency Formation Commission of Monterey County ("LAFCO") seeking approval to become a retail water provider and annex approximately 58 parcels of land into the MPWMD's boundaries. In June 2021, LAFCO's commissioners voted to require a third-party independent financial study as to the feasibility of an acquisition by the MPWMD of the Monterey system assets. In December 2021, LAFCO's commissioners denied the MPWMD's application to become a retail water provider, determining that the MPWMD does not have the authority to proceed with a condemnation of the Monterey system assets. In April 2022, the MPWMD filed a lawsuit against LAFCO challenging its decision to deny the MPWMD's application seeking approval to become a retail water provider. In June 2022, the court granted, with conditions, a motion by Cal Am to intervene in the MPWMD's lawsuit against LAFCO. In December 2022, the court sustained in part, and denied in part, demurrers that had been filed by LAFCO seeking to dismiss the MPWMD's lawsuit.

On December 11, 2023, the Monterey County Superior Court issued a writ of mandate directing LAFCO to vacate and set aside its original denial of the MPWMD's application to serve as a retail water provider (in conjunction with its effort to acquire the Monterey system assets) and, if requested, to re-hear the application in compliance with all applicable law. The court held that LAFCO incorrectly applied two statutory standards and noted a lack of sufficient evidence to support certain of LAFCO's factual findings. As a result, the LAFCO denial has been nullified and LAFCO will be required to hold another hearing on the MPWMD's application. On February 8, 2024, and February 9, 2024, respectively, Cal Am and LAFCO each filed a notice of appeal with the California Court of Appeal regarding the Monterey County Superior Court's decision to issue the writ of mandate. The MPWMD filed a notice of cross-appeal on February 15, 2024. Cal Am is evaluating potential additional actions to seek to uphold LAFCO's denial of the MPWMD's application, including filing other challenges and/or making suitable presentations at a subsequent LAFCO rehearing.

MPWMD Condemnation Action

Separate from the proceedings related to the MPWMD's application with LAFCO, by letter dated October 3, 2022, the MPWMD notified Cal Am of a decision to appraise the Monterey system assets and requested access to a number of Cal Am's properties and documents to assist the MPWMD with such an appraisal. Cal Am responded by letter on October 24, 2022, denying the request for access, stating that the MPWMD does not have the right to appraise Cal Am's system without LAFCO approval to become a retail water provider. On April 28, 2023, Cal Am rejected an offer by the MPWMD to purchase the Monterey system assets for $448.8 million. Over the written and oral objections of Cal Am, at a hearing held on October 10, 2023, the MPWMD adopted a resolution of necessity to authorize it to file an eminent domain lawsuit with respect to the Monterey system assets. On December 15, 2023, the MPWMD filed a lawsuit against Cal Am in Monterey County Superior Court seeking to condemn the Monterey system assets. On February 26, 2024, Cal Am filed a motion requesting the Monterey County Superior Court dismiss the MPWMD's lawsuit seeking to condemn Cal Am's Monterey system assets. Cal Am's motion asserted that the MPWMD lacks legal authorization from both the California legislature and LAFCO to become a retail water provider and the lawsuit improperly seeks to effect a taking of property outside the boundaries of the MPWMD's territory. Hearings on the motion were held on May 3, 2024, and August 23, 2024. On November 14, 2024, the court issued a final ruling denying Cal Am's motion to dismiss. Cal Am filed its answer to the complaint on December 13, 2024. This matter remains pending.

While the Company cannot currently predict the outcome of the MPWMD's eminent domain lawsuit, the Company believes that, given existing legal authorities and its other defenses, Cal Am should be able to defend itself successfully against this lawsuit.

Note 17: Earnings per Common Share

Presented in the table below is a reconciliation of the numerator and denominator for the basic and diluted earnings per share ("EPS") calculations for the years ended December 31:

	2024	2023	2022
Numerator:			
Net income attributable to common shareholders	$ 1,051	$ 944	$ 820
Denominator:			
Weighted average common shares outstanding—Basic	195	193	182
Effect of dilutive common stock equivalents	—	—	—
Weighted average common shares outstanding—Diluted	195	193	182

The effect of dilutive common stock equivalents is related to outstanding stock options, RSUs and PSUs granted under the Company's 2007 Plan and outstanding RSUs and PSUs granted under the Company's 2017 Omnibus Plan, as well as estimated shares to be purchased under the ESPP. Less than one million share-based awards were excluded from the computation of diluted EPS for the years ended December 31, 2024, 2023 and 2022, because their effect would have been anti-dilutive under the treasury stock method.

The if-converted method is applied to the Notes issued in June 2023 for computing diluted EPS. For all periods presented, there was no dilution resulting from the Notes. See Note 11—Long-Term Debt for additional information relating to the Notes.

Note 18: Fair Value of Financial Information

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Current assets and current liabilities—The carrying amounts reported on the Consolidated Balance Sheets for current assets and current liabilities, including revolving credit debt, due to the short-term maturities and variable interest rates, approximate their fair values.

Secured seller promissory note from the sale of the Homeowner Services Group—The carrying amount reported on the Consolidated Balance Sheets for the secured seller promissory note, included as part of the consideration from the sale of HOS is $795 million and $720 million as of December 31, 2024 and 2023, respectively. This amount represents the principal amount owed under the secured promissory seller note, for which the Company expects to receive full payment. The accounting fair value measurement of the secured seller promissory note approximated $793 million and $704 million as of December 31, 2024 and 2023, respectively. The accounting fair value measurement is an estimate that is reflective of changes in benchmark interest rates. The secured seller promissory note is classified as Level 3 within the fair value hierarchy. On February 2, 2024, the secured seller promissory note from the sale of HOS was amended to increase the principal amount from $720 million to $795 million, in full satisfaction of a $75 million contingent cash payment, see Note 5—Acquisitions and Divestitures for additional information. As of December 31, 2023, the contingent cash payment was accounted for as a receivable, as the conditions had been satisfied, and its carrying amount, which approximated fair value, was included as a long-term asset in Other on the Consolidated Balance Sheets.

Preferred stock with mandatory redemption requirements and long-term debt—The fair values of preferred stock with mandatory redemption requirements and long-term debt are categorized within the fair value hierarchy based on the inputs that are used to value each instrument. The fair value of long-term debt classified as Level 1 is calculated using quoted prices in active markets. Level 2 instruments are valued using observable inputs and Level 3 instruments are valued using observable and unobservable inputs.

Presented in the tables below are the carrying amounts, including fair value adjustments previously recognized in acquisition purchase accounting, and the fair values of the Company's financial instruments:

	As of December 31, 2024				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	13,155	10,165	1,050	658	11,873

	As of December 31, 2023				
		At Fair Value			
	Carrying Amount	Level 1	Level 2	Level 3	Total
Preferred stock with mandatory redemption requirements	$ 3	$ —	$ —	$ 3	$ 3
Long-term debt	12,190	9,575	1,044	757	11,376

Fair Value Measurements

To increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Financial assets and liabilities utilizing Level 1 inputs include active exchange-traded equity securities, exchange-based derivatives, mutual funds and money market funds.

Level 2—Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data. Financial assets and liabilities utilizing Level 2 inputs include fixed income securities, non-exchange-based derivatives, commingled investment funds not subject to purchase and sale restrictions and fair-value hedges.

Level 3—Unobservable inputs, such as internally-developed pricing models for the asset or liability due to little or no market activity for the asset or liability. Financial assets and liabilities utilizing Level 3 inputs include infrequently-traded non-exchange-based derivatives and commingled investment funds subject to purchase and sale restrictions.

Recurring Fair Value Measurements

Presented in the tables below are assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy:

	As of December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Restricted funds	$ 44	$ —	$ —	$ 44
Rabbi trust investments	29	—	—	29
Deposits	6	—	—	6
Other investments:				
Money market and other	21	—	—	21
Fixed-income securities	88	6	—	94
Mark-to-market derivative asset	—	24	—	24
Total assets	188	30	—	218
Liabilities:				
Deferred compensation obligations	34	—	—	34
Total liabilities	34	—	—	34
Total assets	$ 154	$ 30	$ —	$ 184

	As of December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Restricted funds	$ 34	$ —	$ —	$ 34
Rabbi trust investments	22	—	—	22
Deposits	8	—	—	8
Other investments:				
Money market and other	26	—	—	26
Fixed-income securities	140	6	—	146
Total assets	230	6	—	236
Liabilities:				
Deferred compensation obligations	27	—	—	27
Mark-to-market derivative liability	—	8	—	8
Total liabilities	27	8	—	35
Total assets (liabilities)	$ 203	$ (2)	$ —	$ 201

Restricted funds—The Company's restricted funds primarily represent proceeds received from financings for the construction and capital improvement of facilities and from customers for future services under operation, maintenance and repair projects.

Rabbi trust investments—The Company's rabbi trust investments consist of equity and index funds from which supplemental executive retirement plan benefits and deferred compensation obligations can be paid. The Company includes these assets in other long-term assets on the Consolidated Balance Sheets.

Deposits—Deposits include escrow funds and certain other deposits held in trust. The Company includes cash deposits in other current assets on the Consolidated Balance Sheets.

Deferred compensation obligations—The Company's deferred compensation plans allow participants to defer certain cash compensation into notional investment accounts. The Company includes such plans in other long-term liabilities on the Consolidated Balance Sheets. The value of the Company's deferred compensation obligations is based on the market value of the participants' notional investment accounts. The notional investments are comprised primarily of mutual funds, which are based on quoted prices for identical assets in active markets.

Mark-to-market derivative assets and liabilities—The Company employs derivative financial instruments in the form of treasury lock agreements, classified as cash flow hedges, in order to fix the interest cost on existing or forecasted debt. The Company uses a calculation of future cash inflows and estimated future outflows, which are discounted, to determine the current fair value. Additional inputs to the present value calculation include the contract terms, counterparty credit risk, interest rates and market volatility.

Other investments—The Company maintains the Active VEBA trust for purposes of paying active union employee medical benefits. The investments in the Active VEBA trust primarily consist of money market funds and available-for-sale fixed-income securities.

The money market and other investments have original maturities of three months or less when purchased. The fair value measurement of the money market and other investments is based on quoted prices for identical assets in active markets and therefore included in the recurring fair value measurements hierarchy as Level 1.

The available-for-sale fixed income securities are primarily investments in U.S. Treasury securities and government bonds. The majority of U.S. Treasury securities and government bonds have been categorized as Level 1 because they trade in highly-liquid and transparent markets. Certain U.S. Treasury securities are based on prices that reflect observable market information, such as actual trade information of similar securities, and are therefore categorized as Level 2, because the valuations are calculated using models which utilize actively traded market data that the Company can corroborate.

The Company includes other investments measured and recorded at fair value on the Consolidated Balance Sheets of $71 million and $62 million in other current assets, as of December 31, 2024 and 2023, respectively, and $44 million and $111 million in other long-term assets, as of December 31, 2024 and 2023, respectively. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported in other comprehensive income until realized.

The following tables summarize the unrealized positions for available-for-sale fixed income securities:

	As of December 31, 2024			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 94	$ 2	$ 2	$ 94

	As of December 31, 2023			
	Amortized Cost Basis	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale fixed-income securities	$ 143	$ 6	$ 3	$ 146

The fair value of the Company's available-for-sale fixed income securities, summarized by contractual maturities, as of December 31, 2024, is as follows:

	Amount
Other investments - Available-for-sale fixed-income securities	
Less than one year	$ 57
1 year - 5 years	25
5 years - 10 years	5
Greater than 10 years	7
Total	$ 94

Note 19: Leases

The Company has operating and finance leases involving real property, including facilities, utility assets, vehicles, and equipment. Certain operating leases have renewal options ranging from one year to 60 years. The exercise of lease renewal options is at the Company's sole discretion. Renewal options that the Company was reasonably certain to exercise are included in the Company's ROU assets. Certain operating leases contain the option to purchase the leased property. The operating leases for real property, vehicles and equipment will expire over the next 40 years, five years, and five years, respectively.

The Company participates in a number of arrangements with various public entities ("Partners") in West Virginia. Under these arrangements, the Company transferred a portion of its utility plant to the Partners in exchange for an equal principal amount of Industrial Development Bonds ("IDBs") issued by the Partners under the Industrial Development and Commercial Development Bond Act. The Company leased back the utility plant under agreements for a period of 30 to 40 years. The Company has recorded these agreements as finance leases in property, plant and equipment, as ownership of the assets will revert back to the Company at the end of the lease term. The carrying value of the finance lease assets was $143 million and $144 million as of December 31, 2024 and 2023, respectively. The Company determined that the finance lease obligations and the investments in IDBs meet the conditions for offsetting, and as such, are reported net on the Consolidated Balance Sheets and excluded from the lease disclosure presented below.

The Company also enters into O&M agreements with the Partners. The Company pays an annual fee for use of the Partners' assets in performing under the O&M agreements. The O&M agreements are recorded as operating leases, and future annual use fees of $4 million in 2025 through 2029, and $37 million thereafter, are included in operating lease ROU assets and operating lease liabilities on the Consolidated Balance Sheets.

Rental expenses under operating leases were $12 million, $11 million and $12 million for the years ended December 31, 2024, 2023 and 2022, respectively.

For the year ended December 31, 2024, cash paid for amounts in lease liabilities, which includes operating cash flows from operating leases, was $11 million. For the year ended December 31, 2024, ROU assets obtained in exchange for new operating lease liabilities was $11 million.

As of December 31, 2024, the weighted-average remaining lease term of the operating leases was 18 years, and the weighted-average discount rate of the operating leases was 5%.

The future maturities of lease liabilities at December 31, 2024, were $11 million in 2025, $10 million in 2026, $10 million in 2027, $8 million in 2028, $7 million in 2029 and $86 million thereafter. At December 31, 2024, imputed interest was $47 million.

Note 20: Segment Information

The Company's operating segments are comprised of its businesses which generate revenue, incur expense and have separate financial information which is regularly used by the chief operating decision maker to make operating decisions, assess performance and allocate resources. The Company operates its businesses primarily through one reportable segment, the Regulated Businesses segment. The Regulated Businesses segment is the largest component of the Company's business and includes subsidiaries that provide water and wastewater services to customers in 14 states.

The Company also operates other businesses, primarily MSG, which provide water and wastewater services to the U.S. government on military installations, as well as municipalities. These other businesses do not meet the criteria of a reportable segment in accordance with GAAP, and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

The accounting policies of the segments are the same as those described in Note 2—Significant Accounting Policies. The Regulated Businesses segment includes intercompany costs that are allocated by Service Company and intercompany interest that is charged by AWCC, both of which are eliminated to reconcile to the Consolidated Statements of Operations. Inter-segment revenues include the sale of water from a regulated subsidiary to subsidiaries within Other, leased office space, and furniture and equipment provided by subsidiaries within Other to regulated subsidiaries. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The adjustments related to the acquisitions are reported in Other as they are excluded from segment performance measures evaluated by management.

The Company's chief operating decision maker is the Chief Executive Officer. The chief operating decision maker uses segment net income or loss to evaluate profit generated from segment assets when making decisions about allocating resources. The chief operating decision maker also uses segment net income to monitor budget versus actual results to assess the performance of the segment.

Presented in the tables below is summarized segment information as of and for the years ended December 31:

	2024		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 4,296	$ 388	$ 4,684
Less:			
Operation and maintenance (a)	1,517	341	1,858
Other segment items (b)	241	9	250
Depreciation and amortization	772	16	788
Interest expense	416	107	523
Interest income	(17)	(77)	(94)
Provision for income taxes	302	6	308
Net income (loss) attributable to common shareholders	$ 1,065	$ (14)	$ 1,051
Total assets	$ 29,941	$ 2,889	$ 32,830
Capital expenditures	$ 2,838	$ 18	$ 2,856

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

	2023		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,920	$ 314	$ 4,234
Less:			
Operation and maintenance (a)	1,441	279	1,720
Other segment items (b)	220	7	227
Depreciation and amortization	693	11	704
Interest expense	364	96	460
Interest income	(28)	(45)	(73)
Provision for (benefit from) income taxes	259	(7)	252
Net income (loss) attributable to common shareholders	$ 971	$ (27)	$ 944
Total assets	$ 27,480	$ 2,818	$ 30,298
Capital expenditures	$ 2,551	$ 24	$ 2,575

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Other operating expenses, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

	2022		
	Regulated Businesses	Other	Consolidated
Operating revenues	$ 3,505	$ 287	$ 3,792
Less:			
Operation and maintenance (a)	1,345	244	1,589
Other segment items (b)	173	11	184
Depreciation and amortization	633	16	649
Interest expense	314	119	433
Interest income	(2)	(50)	(52)
Gain on sale of businesses	—	(19)	(19)
Provision for income taxes	188	—	188
Net income (loss) attributable to common shareholders	$ 854	$ (34)	$ 820
Total assets	$ 25,038	$ 2,749	$ 27,787
Capital expenditures	$ 2,284	$ 13	$ 2,297

(a) Significant segment expense.

(b) Other segment items included in segment net income includes General taxes, Non-operating benefit costs, net, and Other income (expense), net, primarily Allowance for other funds used during construction.

Note 21: Unaudited Quarterly Data

Presented in the tables below are supplemental, unaudited, consolidated, quarterly financial data for each of the four quarters in the years ended December 31, 2024 and 2023, respectively. The operating results for any quarter are not indicative of results that may be expected for a full year or any future periods.

	2024			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 1,011	$ 1,149	$ 1,323	$ 1,201
Operating income	326	449	543	400
Net income attributable to common shareholders	185	277	350	239
Basic earnings per share:				
Net income attributable to common shareholders	$ 0.95	$ 1.42	$ 1.80	$ 1.22
Diluted earnings per share:				
Net income attributable to common shareholders	0.95	1.42	1.80	1.22

	2023			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Operating revenues	$ 938	$ 1,097	$ 1,167	$ 1,032
Operating income	295	432	478	299
Net income attributable to common shareholders	170	280	323	171
Basic earnings per share: (a)				
Net income attributable to common shareholders	$ 0.91	$ 1.44	$ 1.66	$ 0.88
Diluted earnings per share: (a)				
Net income attributable to common shareholders	0.91	1.44	1.66	0.88

(a) Amounts may not sum due to rounding.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act as of the end of the period covered by this report.

Based on that evaluation, the Company's Chief Executive Officer and its Chief Financial Officer have concluded that, as of December 31, 2024, the Company's disclosure controls and procedures were effective at a reasonable level of assurance. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and its Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect its transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of its management and its directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of its assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including the Company's Chief Executive Officer and its Chief Financial Officer, assessed the effectiveness of its internal control over financial reporting, as of December 31, 2024, using the criteria described in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the Company's evaluation under the framework in *Internal Control—Integrated Framework (2013)*, its management concluded that its internal control over financial reporting was effective as of December 31, 2024.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2024, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing in Item 8—Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

The Company concluded that there have been no changes in internal control over financial reporting that occurred during its last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Chief Executive Officer Succession

On February 19, 2025, reflecting the Company's existing and ongoing executive development and succession planning activities by management and the Board of Directors, Ms. Hardwick, the Company's Chief Executive Officer and a director, notified Karl F. Kurz, Board Chair, of her decision to retire as the Company's Chief Executive Officer and principal executive officer, effective as of the conclusion of the Company's 2025 Annual Meeting of Shareholders (the "2025 Annual Meeting"). In her notice, Ms. Hardwick also indicated her decision not to stand for re-election to the Board of Directors at the 2025 Annual Meeting. On February 19, 2025, the Board of Directors accepted Ms. Hardwick's notice and, upon the recommendation of the Nominating Committee, determined that she would not stand for re-election to the Board of Directors at the 2025 Annual Meeting. Ms. Hardwick's decision not to stand for re-election to the Board of Directors was not as a result of any disagreement with the Company or the Board of Directors on any matter relating to the Company's operations, policies or practices.

On February 19, 2025, to provide for the orderly succession of Ms. Hardwick's roles, the Board of Directors designated Mr. Griffith, the Company's President, to serve as the Company's President and Chief Executive Officer and as principal executive officer, effective as of the conclusion of the 2025 Annual Meeting, to hold office until the Company's 2026 Annual Meeting of Shareholders (the "2026 Annual Meeting") and until his successor has been elected and qualified, or until his earlier death, resignation or removal. Upon the recommendation of the Nominating Committee, the Board of Directors also nominated Mr. Griffith for election to the Board of Directors at the 2025 Annual Meeting, and he will be included among the director nominees of the Board of Directors to be named in the Company's 2025 Proxy Statement. If elected to the Board of Directors by the shareholders of the Company, Mr. Griffith would serve until the Company's 2026 Annual Meeting and until his successor has been elected and qualified, or until his earlier death, resignation or removal, and would not serve on any committee of the Board of Directors. See Item 1—Business—Information About Our Executive Officers, for more information about Mr. Griffith's business experience.

Other than existing compensatory arrangements between Mr. Griffith and the Company as described in the Company's 2024 Proxy Statement, in connection with his succession: (i) there are no arrangements or understandings between Mr. Griffith and any other person pursuant to which Mr. Griffith was designated or nominated to serve in his new roles, (ii) no material plan, contract or arrangement has been entered into with Mr. Griffith, and no such plan, contract or arrangement with Mr. Griffith has been materially amended, and (iii) no grant of any award to Mr. Griffith or modification of an existing award has been made. Mr. Griffith does not have any family relationship with any director or other executive officer of the Company, or any person nominated or chosen by the Company to become a director or executive officer, and does not have any direct or indirect material interest in any transaction in which the Company is or is to be a participant and which would require reporting under Item 404(a) of Regulation S-K.

In connection with Ms. Hardwick's retirement, the ED&CC recommended, based on the advice of its independent compensation consultant, and the independent members of the Board of Directors approved, in addition to Ms. Hardwick's customary executive compensation for 2025 (which was consistent with her executive compensation for 2024), a discretionary cash payment to Ms. Hardwick of $800,000, less all applicable withholdings and deductions, in recognition of her outstanding service and performance in the role as Chief Executive Officer.

Board of Directors Committee Changes

As part of its annual 2025 committee review process and to appropriately distribute director responsibilities, on February 19, 2025, the Board of Directors, upon the recommendation of the Nominating Committee, appointed director Stuart M. McGuigan to serve on the ED&CC and the SETO Committee, and determined that director Patricia L. Kampling will no longer serve on the SETO Committee, each of which actions took effect immediately.

Adoption or Termination of Rule 10b5-1 Plans and Non-Rule 10b5-1 Trading Arrangements

During the three months ended December 31, 2024, none of the Company's directors or "officers" (as such term is defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of the Company's securities, intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) promulgated under the Exchange Act or (ii) any "non-Rule 10b5-1 trading arrangement" (as defined in Item 408(c) of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item and not set forth below or in Item 1—Business—Information About Our Executive Officers of this Annual Report on Form 10-K, is incorporated by reference from the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, to be filed with the SEC within 120 days following the end of the fiscal year covered by this report, under the captions entitled "Board of Directors and Corporate Governance" and "Proposal 1—Election of Directors."

The Company has adopted a Code of Ethics, which applies to directors, officers and employees. The full text of the Code of Ethics is publicly available on the Company's website at *https://amwater.com*. The Company intends to post on its website any amendments to the Code of Ethics and any waivers of such provisions granted to certain principal officers.

The Company maintains an Insider Trading and Prohibited Transactions Policy and a Personal Securities Trading and Preclearance Practice thereunder, which govern the purchase, sale and other disposition of the Company's securities by the Company's directors, officers and employees, and their immediate family members, among other covered persons (which does not include the Company). The Company believes the policy and practice are reasonably designed to promote and enforce compliance by such covered persons with applicable insider trading laws, rules and regulations, and the listing standards of the NYSE related thereto. A copy of each has been filed as Exhibit 19.1 and Exhibit 19.2, respectively, to this Annual Report on Form 10-K, and the full text of the Insider Trading and Prohibited Transactions Policy is publicly available on the Company's website at *https://amwater.com*.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the captions entitled "Board of Directors and Corporate Governance—Board Role in Risk Oversight—Executive Development and Compensation Committee Role," "Proposal 1—Election of Directors—Director Compensation Table," "Compensation Discussion and Analysis," "Executive Compensation" (excluding the subsection "Pay Versus Performance"), "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" (with the latter report being furnished, and not filed, in this Annual Report on Form 10-K).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this item setting forth the security ownership of certain beneficial owners and management is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the captions entitled "Certain Beneficial Ownership Matters—Security Ownership of Management," "Certain Beneficial Ownership Matters—Security Ownership of Certain Beneficial Owners" and "Equity Compensation Plan Information."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the caption entitled "Board of Directors and Corporate Governance—Board Review of Related Person Transactions" and "Proposal 1—Election of Directors—Director Independence."

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference in the Company's Proxy Statement for the 2025 Annual Meeting of Shareholders, under the caption entitled "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Fees Paid to Independent Registered Public Accounting Firm" and "Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm—Pre-Approval of Services Provided by Independent Registered Public Accounting Firm."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents have been filed as a part of this Annual Report on Form 10-K:

1. The financial statements listed in the "Index to Consolidated Financial Statements" contained in Item 8—Financial Statements and Supplementary Data of this Form 10-K are hereby incorporated by reference in response to this Item 15(a).

2. Financial statement schedules have been omitted since they are either not required or are not applicable as the information is otherwise included in the financial statements or notes thereto.

3. Exhibits. The list of documents contained in "Exhibit Index" is provided in response to this Item 15(a). The warranties, representations and covenants contained in any of the agreements included or incorporated by reference herein or which appear as exhibits hereto should not be relied upon by buyers, sellers or holders of the Company's or its subsidiaries' securities and are not intended as warranties, representations or covenants to any individual or entity except as specifically set forth in such agreement.

The responses to Items 15(b) and (c) of Form 10-K are included above in response to Item 15(a).

ITEM 16. FORM 10-K SUMMARY

None.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1#	Membership Interest Purchase Agreement, dated as of October 28, 2021, by and among American Water Enterprises, LLC, American Water (USA), LLC, American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Works Company, Inc. and Lakehouse Buyer Inc. (incorporated by reference to Exhibit 2.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed October 29, 2021).
3.1	Restated Certificate of Incorporation of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 6, 2008).
3.2	Amended and Restated Bylaws of American Water Works Company, Inc. (incorporated by reference to Exhibit 3.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 8, 2022).
4.1	Indenture, dated as of October 22, 2007, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.4 to American Water Capital Corp.'s Registration Statement on Form S-4, File No. 333-148284, and American Water Works Company, Inc.'s Registration Statement on Form S-4, File No. 333-148284-01, filed December 21, 2007).
4.2	Indenture, dated as of December 4, 2009, between American Water Capital Corp. and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 3, 2010).
4.3	Indenture, dated as of June 29, 2023, among American Water Capital Corp., American Water Works Company, Inc. and U.S. Bank Trust Company, National Association. (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.4	Form of 3.625% Exchangeable Senior Note due 2026 (included in Exhibit 4.3) (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed June 29, 2023).
4.5	Officers' Certificate, dated December 17, 2012, establishing the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 17, 2012).
4.6	Officers' Certificate, dated August 14, 2014, establishing the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.7	Officers' Certificate, dated August 14, 2014, providing for a further issuance of the 4.300% Senior Notes due 2042 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 14, 2014).
4.8	Officers' Certificate, dated August 13, 2015, establishing the 4.300% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.9	Officers' Certificate, dated August 13, 2015, providing for a further issuance of the 3.400% Senior Notes due 2025 (incorporated by reference to Exhibit 4.3 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 13, 2015).
4.10	Officers' Certificate, dated November 17, 2016, establishing the 3.000% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.11	Officers' Certificate, dated November 17, 2016, establishing the 4.000% Senior Notes due 2046 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed November 17, 2016).
4.12	Officers' Certificate, dated August 10, 2017, establishing the 2.950% Senior Notes due 2027 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.13	Officers' Certificate, dated August 10, 2017, establishing the 3.750% Senior Notes due 2047 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 10, 2017).
4.14	Officer's Certificate, dated August 9, 2018, establishing the 3.750% Senior Notes due 2028 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).

Exhibit Number	Exhibit Description
4.15	Officer's Certificate, dated August 9, 2018, establishing the 4.200% Senior Notes due 2048 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed August 9, 2018).
4.16	Officers' Certificate, dated May 13, 2019, establishing the 3.450% Senior Notes due 2029 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.17	Officers' Certificate, dated May 13, 2019, establishing the 4.150% Senior Notes due 2049 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 13, 2019).
4.18	Officers' Certificate, dated April 14, 2020, establishing the 2.800% Senior Notes due 2030 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.19	Officers' Certificate, dated April 14, 2020, establishing the 3.450% Senior Notes due 2050 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed April 14, 2020).
4.20	Officers' Certificate, dated May 14, 2021, establishing the 2.300% Senior Notes due 2031 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.21	Officers' Certificate, dated May 14, 2021, establishing the 3.250% Senior Notes due 2051 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 14, 2021).
4.22	Officers' Certificate, dated May 5, 2022, establishing the 4.450% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed on May 5, 2022).
4.23	Officers' Certificate, dated February 23, 2024, establishing the 5.150% Senior Notes due 2034 (incorporated by reference to Exhibit 4.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 23, 2024).
4.24	Officers' Certificate, dated February 23, 2024, establishing the 5.450% Senior Notes due 2054 (incorporated by reference to Exhibit 4.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 23, 2024).
4.25	Description of American Water Works Company, Inc.'s Equity Securities (filed herewith).
10.1.1#	Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed on October 31, 2022).
10.1.2	First Amendment, dated as of June 21, 2023, to the Third Amended and Restated Credit Agreement, dated as of October 26, 2022, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, JPMorgan Chase Bank, N.A., as syndication agent, and Mizuho Bank, Ltd., PNC Bank, National Association, U.S. Bank National Association, and Bank of America, N.A., as co-documentation agents (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 26, 2023).
10.1.3	Extension Agreement, dated October 26, 2023, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to American Water Company Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed November 1, 2023).
10.1.4	Extension Agreement, dated as of October 28, 2024, by and among American Water Works Company, Inc., American Water Capital Corp., each of the Lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.2 to American Water Company Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.2	Support Agreement, dated June 22, 2000, together with First Amendment to Support Agreement, dated July 26, 2000, by and between American Water Works Company, Inc. and American Water Capital Corp. (incorporated by reference to Exhibit 10.3 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.3*	Offer Letter for Employment, dated as of August 1, 2024, between American Water Works Company, Inc. and M. Susan Hardwick (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.4*	Offer Letter for Employment, dated February 16, 2021, between American Water Works Company, Inc. and Cheryl Norton (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.5*	Offer Letter for Employment, dated August 1, 2024, between American Water Works Company, Inc. and John C. Griffith (incorporated by reference to Exhibit 10.4 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.6*	Offer Letter for Employment, dated August 1, 2024, between American Water Works Company, Inc. and David M. Bowler (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.7*	Offer Letter for Employment, dated August 1, 2024, between American Water Works Company, Inc. and Stacy A. Mitchell (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 30, 2024).
10.8*	Offer Letter for Employment, dated November 1, 2024, between American Water Works Company, Inc. and Maureen Duffy (filed herewith).
10.9*	Amended and Restated American Water Works Company, Inc. Deferred Compensation Plan, dated as of January 1, 2001 (incorporated by reference to Exhibit 10.9 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.10*	Nonqualified Deferred Compensation Plan for Non-Employee Directors of American Water Works Company, Inc., as amended and restated, effective as of January 1, 2009 (incorporated by reference to Exhibit 10.38 to American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-155245, filed November 18, 2008).
10.11.1*	Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and Its Designated Subsidiaries, as amended and restated, effective as of June 1, 2018 (incorporated by reference to Exhibit 10.9.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 19, 2019).
10.11.2*	Amendment No. 2019-1 to the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries, as amended and restated, effective as of November 1, 2019 (incorporated by reference to Exhibit 4.1.2 to American Water Works Company, Inc.'s Registration Statement on Form S-8, File No. 333-235598, filed December 19, 2019).

Exhibit Number	Exhibit Description
10.12*	Amended and Restated American Water Works Company, Inc. Executive Retirement Plan, dated as of March 1, 2007 (incorporated by reference to Exhibit 10.8 to American Water Capital Corp.'s Registration Statement on Form S-1, File No. 333-145757-01, and American Water Works Company, Inc.'s Registration Statement on Form S-1, File No. 333-145757, filed October 11, 2007).
10.13.1*	American Water Works Company, Inc. Annual Incentive Plan (incorporated by reference to Appendix C to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.13.2*	Amendment 2016-1 to American Water Works Company, Inc. Annual Incentive Plan (now known as the Annual Performance Plan), effective January 1, 2016 (incorporated by reference to Exhibit 10.14.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 25, 2016).
10.14*	Second Amended and Restated American Water Works Company, Inc. and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, adopted on July 27, 2018, effective as of February 5, 2019 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed October 31, 2018).
10.15.1*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, as amended (incorporated by reference to Appendix B to American Water Works Company, Inc.'s Definitive Proxy Statement, File No. 001-34028, filed March 27, 2015).
10.15.2*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2017 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2017).
10.15.3*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2014 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 6, 2014).
10.15.4*	American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan 2016 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 3, 2016).
10.16.1*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2017).
10.16.2*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.16.3*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.16.4*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Restricted Stock Unit Grant.(incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.5*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 3, 2021).
10.16.6*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.16.7*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.16.8*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Restricted Stock Unit Grant (for CEO, CFO and COO), as amended (filed herewith).
10.16.9*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Restricted Stock Unit Grant (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).
10.16.10*	Form of American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Restricted Stock Unit Grant (for CEO, CFO and COO), as amended (filed herewith).
10.16.11*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.16.12*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2018 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.11 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 2, 2018).
10.16.13*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.6 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2019).
10.16.14*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2019 Performance Stock Unit Grant Form B-1 (corrected) (incorporated by reference to Exhibit 10.14.33 to American Water Works Company, Inc.'s Quarterly Report on Form 10-K, File No. 001-34028, filed February 18, 2020).
10.16.15*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.8 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.16*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.13 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.17*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2020 Performance Stock Unit Grant Form B-2 (incorporated by reference to Exhibit 10.14 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 6, 2020).
10.16.18*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2021 Performance Stock Unit Grant Form B-1 (as amended) (incorporated by reference to Exhibit 10.13.23 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.16.19*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2022 Performance Stock Unit Grant Form B (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 27, 2022).
10.16.20*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).
10.16.21*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.22*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed April 26, 2023).

Exhibit Number	Exhibit Description
10.16.23*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2023 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.24*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form A-1 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).
10.16.25*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form A-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.26*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form B-1 (incorporated by reference to Exhibit 10.5 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).
10.16.27*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form B-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.28*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form C-1 (incorporated by reference to Exhibit 10.7 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed May 1, 2024).
10.16.29*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Performance Stock Unit Grant Form C-2 (for CEO, CFO and COO), as amended (filed herewith).
10.16.30*	Amendments to Forms of 2023 and 2024 Long-Term Performance Plan Grant Documents (other than for CEO, CFO and COO) (filed herewith).
10.16.31*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2017 Non-Employee Director Stock Unit Grant (incorporated by reference to Exhibit 10.9 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed May 12, 2017).
10.16.32*	American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan 2024 Stock Unit Grant Form for Non-Employee Directors (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed July 31, 2024).
10.17*	American Water Works Company, Inc. Executive Severance Policy, as amended and restated as of July 27, 2021 (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.18*	American Water Works Company, Inc. Change of Control Severance Policy, dated as of July 27, 2021 (incorporated by reference to Exhibit 10.3 to American Water Works Company, Inc.'s Quarterly Report on Form 10-Q, File No. 001-34028, filed August 2, 2021).
10.19.1*	American Water Works Company, Inc. Pension Plan for Employees, as amended and restated effective December 31, 2022 (incorporated by reference to Exhibit 10.16 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 15, 2023).
10.19.2*	American Water Works Company, Inc. Amendment 2023-1 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 20, 2023 (incorporated by reference to Exhibit 10.17.2 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 14, 2024).
10.19.3*	American Water Works Company, Inc. Amendment 2023-2 to the Pension Plan for Employees (as amended and restated effective December 31, 2022), dated December 29, 2023 (incorporated by reference to Exhibit 10.17.3 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 14, 2024).
10.20.1#	Secured Seller Note Agreement, dated December 9, 2021, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
10.20.2#	Amendment No. 1 to Secured Seller Note Agreement, dated as of February 2, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (incorporated by reference to Exhibit 10.1.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed February 5, 2024).
10.20.3	Amendment No. 2 to Secured Seller Note Agreement, dated as of December 3, 2024, by and among Lakehouse Bidco Inc., Lakehouse Buyer Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC, American Water Resources Holdings, LLC, American Water Resources of Texas, LLC, American Water Resources of Florida, LLC, and American Water Enterprises, LLC (filed herewith).
10.21	Revenue Share Agreement, dated December 9, 2021, by and among American Water Works Company, Inc., American Water Resources, LLC, Pivotal Home Solutions, LLC and American Water Resources Holdings, LLC (incorporated by reference to Exhibit 10.2 to American Water Works Company, Inc.'s Current Report on Form 8-K, File No. 001-34028, filed December 9, 2021).
19.1	Insider Trading and Prohibited Transactions Policy, as amended, effective December 1, 2024 (filed herewith).
19.2	Personal Securities Trading and Preclearance Practice, as amended, effective April 26, 2023 (filed herewith).
21.1	Subsidiaries of American Water Works Company, Inc. (filed herewith).
22.1	Guaranteed Securities (filed herewith).
23.1	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification of M. Susan Hardwick, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
31.2	Certification of David M. Bowler, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act (filed herewith).
32.1	Certification of M. Susan Hardwick, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
32.2	Certification of David M. Bowler, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act (furnished herewith).
97.1	American Water Works Company, Inc. Incentive-Based Compensation Recovery Policy, dated as of December 1, 2023 (incorporated by reference to Exhibit 97.1 to American Water Works Company, Inc.'s Annual Report on Form 10-K, File No. 001-34028, filed February 14, 2024).
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document

Exhibit Number	Exhibit Description
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

Certain schedules and exhibits to this agreement have been omitted as permitted by rules or regulations of the SEC. The Company will furnish the omitted schedules and exhibits to the SEC upon request.

* Denotes a management contract or compensatory plan or arrangement.

Instruments defining the rights of holders of certain issues of long-term debt of the Company and certain of its consolidated subsidiaries have not been filed as exhibits to this report because the authorized principal amount of any one of such issues does not exceed 10% of the Company's consolidated total assets. The Company agrees to furnish a copy of each such instrument to the SEC upon request.

The Membership Interest Purchase Agreement filed as Exhibit 2.1 and the Secured Seller Note Agreement and related amendments thereto filed as Exhibit 10.20.1, Exhibit 10.20.2 and Exhibit 10.20.3 to this Annual Report on Form 10-K, have been included to provide investors and security holders with information regarding the terms of the respective agreements. The filing of these agreements is not intended to provide any other factual information about the parties thereto, or any of their respective subsidiaries or affiliates. The representations, warranties and covenants contained in the respective agreements (i) were made by the parties thereto only for purposes of that respective agreement and as of specific dates; (ii) were made solely for the benefit of the parties to the respective agreement; (iii) may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures exchanged between the parties in connection with the execution of the respective agreement (such disclosures include information that has been included in public disclosures, as well as additional non-public information); (iv) may have been made for the purposes of allocating contractual risk between the parties to the respective agreements instead of establishing these matters as facts; and (v) may be subject to standards of materiality applicable to the contracting parties to the respective agreements that differ from those applicable to investors.

Investors should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties to the respective agreements thereto, or any of their respective subsidiaries or affiliates. Additionally, the representations, warranties, covenants, conditions and other terms of the respective agreements may be subject to subsequent waiver or modification. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the respective agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures. The respective agreements should not be read alone, but should instead be read in conjunction with the other information regarding the Company that is or will be contained in, or incorporated by reference into, the reports and other documents that are filed by the Company with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 19th day of February, 2025.

AMERICAN WATER WORKS COMPANY, INC.

BY: /s/ M. SUSAN HARDWICK

M. Susan Hardwick
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 19th day of February, 2025, by the following persons in the capacities indicated.

/s/ M. SUSAN HARDWICK	/s/ JEFFREY N. EDWARDS
M. Susan Hardwick **Chief Executive Officer** **(Principal Executive Officer and Director)**	**Jeffrey N. Edwards** **(Director)**
/s/ DAVID M. BOWLER	/s/ MARTHA CLARK GOSS
David M. Bowler **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer)**	**Martha Clark Goss** **(Director)**
/s/ MELISSA K. WIKLE	/s/ KIMBERLY J. HARRIS
Melissa K. Wikle **Senior Vice President, Chief Accounting Officer** **(Principal Accounting Officer)**	**Kimberly J. Harris** **(Director)**
/s/ LAURIE P. HAVANEC	/s/ JULIA L. JOHNSON
Laurie P. Havanec **(Director)**	**Julia L. Johnson** **(Director)**
/s/ PATRICIA L. KAMPLING	/s/ KARL F. KURZ
Patricia L. Kampling **(Director)**	**Karl F. Kurz** **(Board Chair)**
/s/ MICHAEL L. MARBERRY	/s/ STUART M. McGUIGAN
Michael L. Marberry **(Director)**	**Stuart M. McGuigan** **(Director)**

Exhibit 4.25

DESCRIPTION OF AMERICAN WATER WORKS COMPANY, INC.'S EQUITY SECURITIES

The following description of the common stock, par value $0.01 per share (the "Common Stock"), of American Water Works Company, Inc., a Delaware corporation (the "Company"), is not intended to be complete. For more information regarding the Common Stock, please refer to the Company's Restated Certificate of Incorporation (the "Certificate of Incorporation"), and the Company's Amended and Restated Bylaws (the "Bylaws"), which have been included as Exhibit 3.1 and Exhibit 3.2, respectively, to the Company's Annual Report on Form 10-K for the year ended December 31, 2024. The following descriptions are based on the Certificate of Incorporation and Bylaws in effect as of February 19, 2025. The terms and provisions of the Certificate of Incorporation and Bylaws are hereby incorporated by reference herein. The terms of these securities also may be affected by the General Corporation Law of the State of Delaware (the "DGCL").

General

The Company's authorized capital stock consists of 500,000,000 shares of Common Stock and 50,000,000 shares of preferred stock. As of February 10, 2025, there were 194,947,313 shares of Common Stock outstanding and no shares of preferred stock outstanding.

Common Stock

Voting Rights

Other than with respect to director elections, except as otherwise required by law, all matters to be voted on by the Company's shareholders must be approved by a majority of the shares present in person or proxy at such meeting and entitled to vote on the subject matter. With respect to uncontested director elections, the Bylaws require that in order to be elected, a director nominee must receive a majority of the votes cast (for this purpose, a majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of votes cast "against" that nominee). For contested director elections where the number of nominees exceeds the number of directors to be elected, the Bylaws require that the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at any such meeting and entitled to vote on the election of directors.

Dividends

Holders of Common Stock will share equally in any dividend declared by the Company's board of directors (the "Board"), subject to the rights of the holders of any outstanding preferred stock.

Liquidation Rights

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company's affairs, holders of the Common Stock would be entitled, after payment of the liquidation preference to all holders of any outstanding preferred stock, to share ratably in the Company's assets that are legally available for distribution to shareholders after payment of liabilities. The Company must pay the applicable distribution to any holders of its preferred stock before it may pay distributions to the holders of its common stock.

Other Rights

The Company's shareholders have no preemptive or other rights to subscribe for additional shares.

Preferred Stock

The Board may authorize the issuance of preferred stock from time to time in one or more series, without shareholder approval. Subject to the limits imposed by the DGCL, the Board is authorized to fix for any series of preferred stock the number of shares of such series and the voting powers (if any), designation, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions of such series. The Board is also authorized to increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's shareholders.

The Board may authorize the issuance of preferred stock with voting or conversion rights that affect adversely the voting power or other rights of holders of Common Stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or preventing a change in control, causing the market price of shares of the Common Stock to decline, or impairing the voting and other rights of the holders of the Common Stock.

Certain Anti-Takeover Provisions of the Certificate of Incorporation and Bylaws, and the DGCL

The following provisions of the Certificate of Incorporation and Bylaws could deter, delay or prevent a third party from acquiring the Company, even if doing so would benefit the Company's shareholders.

Undesignated Preferred Stock

The ability to authorize undesignated preferred stock makes it possible for the Board to authorize the issuance of preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire the Company. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for Advance Notification of Shareholder Meetings, Nominations and Proposals

The Bylaws provide that special meetings of shareholders may be called only upon the request of the majority of the members of the Board, upon request of the Company's Board Chair, or by the Company's Secretary upon request of shareholders holding at least 15% of the outstanding Common Stock. The Bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting.

The Bylaws establish advance notice procedures with respect to shareholder proposals for annual meetings and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee thereof. A shareholder who wishes to bring a matter before a meeting or submit candidates for nomination as directors must comply with the Company's advance notice requirements and provide the Company with certain information, and, if applicable under the Bylaws, provide to the Company certain agreements and undertakings. Additionally, vacancies and newly created directorships may be filled only by a vote of a majority of the members of the Board then in office, even though less than a quorum, or by shareholders. These provisions may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of the Company.

Shareholder Action by Written Consent

As permitted by Section 228 of the DGCL, the Certificate of Incorporation states that any action required or permitted to be taken by the Company's shareholders must be effected at a duly called annual or special meeting of the Company's shareholders and may not be effected by consent in writing by such shareholders.

Approval of Acquisition of Control by Public Utility Commission

A significant number of the Company's regulated subsidiaries are subject to economic regulation by state public utility commissions. Some of these states have enacted laws that require regulatory approval for the acquisition of "control" of any regulated utility. In those states, obtaining "control" of the parent or any other company that controls a regulated utility also requires prior regulatory approval. The threshold for a change in control is a fact-specific inquiry that varies by state. For example, in some states, a presumption of control will arise when an acquiring party acquires more than 9.9% of the voting securities of the regulated utility or the controlling entity. In addition to ownership, other states may analyze the degree of influence or control an acquiror may exert over the Company. Any person acquiring the Common Stock in an offering or in any other purchase of the Common Stock in an amount sufficient to trigger a change in control under state law would need the prior approval of the applicable state public utility commission.

Certain Other Provisions of the Certificate of Incorporation and Bylaws and the DGCL

Board of Directors

The Certificate of Incorporation provides that the number of directors is fixed in the manner provided in the Bylaws. The Bylaws provide that the number of directors will be fixed from time to time by the Board.

Business Combinations under the DGCL

The Company is subject to Section 203 of the DGCL, which prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the time the shareholder became an "interested stockholder," subject to certain exceptions, including if, prior to such time, the board of directors approved the business combination or the transaction which resulted in the shareholder becoming an "interested stockholder." "Business combinations" include mergers, asset sales and other transactions

resulting in a financial benefit to the "interested stockholder." Subject to various exceptions, an "interested stockholder" is a person who, together with his or her affiliates and associates, owns, or within the prior three years did own, 15% or more of the corporation's outstanding voting stock. These restrictions generally prohibit or delay the accomplishment of mergers or other takeover or change-in-control attempts that are not approved by a company's board of directors.

Limitations of Liability and Indemnification of Directors and Officers

The DGCL authorizes corporations to limit or eliminate the personal liability of directors and officers to corporations and their shareholders for monetary damages for breaches of directors' fiduciary duties. The Company's Certificate of Incorporation includes a provision that eliminates the personal liability of directors (but not officers) for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL. The DGCL does not permit exculpation for liability:

- for breach of the duty of loyalty;
- for acts or omissions not in good faith or involving intentional misconduct or knowing violation of law;
- under Section 174 of the DGCL (relating to unlawful dividends or stock repurchases); or
- for transactions from which the director or officer derived an improper personal benefit.

The Certificate of Incorporation and Bylaws provide that the Company will indemnify its directors and officers to the fullest extent permitted by law. The Bylaws also expressly authorize the Company to carry directors' and officers' insurance providing indemnification for the Company's directors, officers and certain employees and agents for certain liabilities, and the Company has done so.

The limitation of liability and indemnification provisions in the Certificate of Incorporation and Bylaws may discourage shareholders from bringing a lawsuit against the Company's directors or officers for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against the Company's directors and officers, even though such an action, if successful, might otherwise benefit the Company and its shareholders. In addition, an investment in the Common Stock may be adversely affected to the extent the Company pays the costs of settlement and damage awards against directors and officers in accordance with these indemnification provisions.

Proxy Access

The Bylaws permit an eligible shareholder or group of shareholders to include up to a specified number of director nominees in the Company's proxy materials for an annual meeting of shareholders. To qualify, the shareholders (or group of up to 20 shareholders) must have continuously owned for at least three years 3% or more of the Common Stock. The maximum number of shareholder nominees permitted under this proxy access provision is the greater of (i) two or (ii) 20% of the total number of directors on the Board as of the last day on which a proxy access notice may be submitted, rounded down to the nearest whole number.

Transfer Agent and Registrar

Equiniti Trust Company, LLC serves as the registrar and transfer agent for the Common Stock.

New York Stock Exchange Symbol

The Common Stock is listed on the New York Stock Exchange under the trading symbol "AWK."

Exhibit 10.8

November 1, 2024

Ms. Maureen Duffy
[REDACTED]
[REDACTED]

Dear Maureen:

On behalf of American Water Works Service Company, Inc., I am pleased to confirm your new posi on of Execu ve Vice President, Communica ons and External Affairs repor ng to John Griffith, President, at our Camden, New Jersey headquarters office. The effec ve date of your new posi on is November 1, 2024. We are confident that you will find your new posi on to be personally rewarding and one in which you can make significant contribu ons to the company. ***The compensa on described in this offer le er is subject to the approval of the Execu ve Development & Compensa on Commi ee (ED&CC) and will not be effec ve un l the ED&CC approves such compensa on.***

Safety, trust, teamwork, high performance, and environmental leadership define our culture – a culture where every employee feels valued and lives up to his or her poten al. Crea ng an environment where differences are embraced and where every person feels engaged and included makes us safer, stronger, and more successful. We believe that our success is based upon our employees having a vested interest in our business. As a part of our team, you will be tasked with helping make a great company even be er – in doing so, you will be rewarded for your contribu ons. The following is our offer to you:

Base Salary: Your new annual salary will be approximately $465,000.00, which will be paid on a bi-weekly basis in accordance with American Water's standard payroll prac ces and will be effec ve November 1, 2024. Your job performance will be reviewed annually as part of our performance management process, and you may be eligible for a merit increase in 2026.

APP: Your target award eligibility previously at 50% will change to 60% of your annual base salary. For reference purposes, the 2024 cycle covers the period beginning on 01/01/2024 through 12/31/2024 and target awards are prorated based on your effec ve date. Awards from the Annual Performance Plan are based on several company performance objec ves, and payments may be higher or lower than target.

LTPP: You remain eligible to receive a performance award under the 2024 American Water Long Term Performance Plan and your target opportunity under this plan will increase to 120% of your base salary. Effec ve November 1, 2024, you will receive a second set of grants that reflects the prorated difference between your February 2024 grants and the grant amount based on your new base salary and LTPP target percentage.

For reference purposes, awards are currently granted under the terms and condi ons of the Company's 2017 Omnibus Equity Compensa on Plan (the "Plan"), in the form of restricted stock units and performance stock units. In the event of any conflict between your offer le er and the terms of the award grant documents and the Plan, the terms of the award documents and the Plan will govern.

Benefits: Your current benefits will remain unchanged and in effect, including your vaca on accrual. This change in your posi on is not an IRS Qualified Life Event allowing you to change your American Water benefit elec ons, however, it is a notable event in your life. Please take this opportunity to review your health and welfare benefits and 401(k) elec ons to see how this transi on impacts your coverage (e.g., company paid life insurance amount, HSA elec on, 401(k) paycheck elec on, beneficiary designa ons, etc.).

In addi on to the benefits you currently hold, American Water believes your health is of cri cal importance for your family, our customers, shareholders, and the employees you lead. To help you take the best possible care of your health, we also have a company-sponsored Execu ve Health Program for our key leaders. The program focuses on your physical well-being and long-term health and consists of a thorough risk-factor analysis, advanced diagnos c screenings, extensive laboratory tes ng, and ongoing coaching and support. Addi onal services are available throughout the year, including voluntary primary care services.

AMERICAN WATER

Non-Qualified Plans: You will remain eligible to par cipate in our Non-Qualified Deferred Compensa on Plan and Execu ve Re rement Plan. Under the Non-Qualified Deferred Compensa on Plan, the Company may make employer matching contribu ons as soon as administra vely prac cable a. er the end of the applicable plan year.

Execu ve Severance Policy and Change of Control Severance Policy: You will remain an eligible par□cipant under the Execu□ve Severance Policy and will be an eligible par□cipant under the Change of Control Severance Policy.

Execu ve Stock Ownership Guidelines and Execu ve Stock Reten on Requirements: You will con□nue to be subject to the stock ownership guidelines and stock reten□on requirements.

As you will be a Sec□on 16 officer of the Company, American Water may be required to disclose your compensa□on and/or this offer le□er in an SEC filing. Your signature below indicates your acceptance of our offer and your acknowledgment of this requirement of your posi□on.

We wish you the best of luck in your new role and future opportuni□es with American Water!

Sincerely,

M. Susan Hardwick
Chief Execu□ve Officer
American Water

cc: Melanie Kennedy, Execu□ve Vice President, Chief Human Resources Officer

I, Maureen Duffy, understand that my employment with American Water is "at will," which means that I am not guaranteed employment or any par cular job for any specified period of me. The Company or I may terminate my employment at any me, for any or no reason, with or without cause.

/s/ MAUREEN DUFFY _____ 10/30/24 _____
Signature Date

AMERICAN WATER

CONFIDENTIALITY POLICY AND AGREEMENT

This Confiden□ality Policy and Agreement ("Confiden□ality Agreement") set forth your understanding and agreement with the provisions below which discuss the Company's confiden□al and propriety informa□on and trade secrets. You acknowledge and agree that you are signing this Confiden□ality Agreement for good and adequate considera□on including your employment by or con□nuing employment by American Water or one of its subsidiaries (collec□vely, the "Company"); the access that the Company is providing you to certain confiden□al and proprietary informa□on and trade secrets described below; and the Company's willingness to provide you with valuable opportuni□es, considera□on and/or benefits. You further acknowledge that this Confiden□ally Agreement is in addi□on to exis□ng American Water policies addressing the handling of sensi□ve informa□on, cyber and informa□on security.

The Company's Confiden□ality Policy

The protec□on of confiden□al business informa□on and trade secrets is vital to the interests and the success of the Company. In the course of employment with the Company, employees may create, discover or receive proprietary and/or confiden□al informa□on including, without limita□on: all informa□on about markets, key personnel, opera□onal methods, proprietary intellectual property, real property, plans for future developments, projects in the pipeline, bid informa□on, manuals, books, training materials, forms and procedures, policies, customer or prospec□ve customer lists, customer-related data, marke□ng plans and strategies, financial informa□on, technical informa□on, technical processes and methods, algorithms, documents rela□ng to any of the foregoing, and other wri□en and oral materials (whether electronic or on hard copy) which are related to the business of the Company (collec□vely, "Confiden□al Informa□on"). Confiden□al Informa□on includes all forms and types of financial, business, scien□fic, technical, economic, or engineering informa□on, including pa□erns, plans, compila□ons, program devices, formulas, designs, prototypes, methods, techniques, processes, procedures, programs, or codes, whether tangible or intangible, and whether or how stored, compiled, or memorialized physically, electronically, graphically, photographically, or in wri□ng if -- (A) the Company has taken reasonable measures to keep such informa□on secret; and (B) the informa□on derives independent economic value, actual or poten□al, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the informa□on. Confiden□al Informa□on may also be "material, non-public informa□on" as defined by federal securi□es laws and Company policy, both of which prohibit insider trading. Confiden□al Informa□on may be contained in Company documents, computer programs, databases, investor documents, trading strategies and analy□c models. Confiden□al Informa□on is related to a product or service used, or intended for use, in interstate or foreign commerce.

Confiden□al Informa□on must be protected as confiden□al and not copied, disclosed or used, directly or indirectly, at any □me, other than for the Company's benefit (to the extent permi□ed by law), unless and un□l such knowledge or informa□on is in the public domain through no wrongful act by the employee(s). Employees must not, directly or indirectly, divulge or disclose to anyone (other than the Company or any of its affiliates or any person employed or designated by such en□□es who need to know), publish or make use of any Confiden□al Informa□on without the Company's express prior wri□en consent; provided, however, that nothing shall prohibit or restrict an employee from par□cipa□ng, coopera□ng, or tes□fying in any ac□on, inves□ga□on, or proceeding with, or providing informa□on to, any governmental agency or legisla□ve body, or any self-regulatory organiza□on (collec□vely, the "Regulators"). Employees may engage in such ac□vi□es with the Regulators without no□fying or obtaining prior authoriza□on from the Company.

Nothing in this document is intended to interfere with or discourage a good faith disclosure to any governmental en□ty related to a suspected viola□on of the law. The employee cannot and will not be held criminally or civilly liable under any federal or state trade secret law for disclosing otherwise protected trade secrets or confiden□al or proprietary informa□on as long as the disclosure is made in (i) confidence to a federal, state, or local government official, directly or indirectly, or to an a□orney and solely for the purpose of repor□ng or inves□ga□ng a suspected viola□on of law; or (ii) a complaint or other document filed in a lawsuit or other proceeding, as long as such filing is made under seal. The Company will not retaliate against any employee in any way for a disclosure made in accordance with the law. In the event that the employee makes a disclosure, and the employee files a lawsuit against the Company alleging that the Company retaliated against the employee because of his or her disclosure, the employee may disclose the relevant trade secret or Confiden□al Informa□on to his or her a□orney and may use the trade secret or Confiden□al Informa□on in the court proceeding only if (i) the employee ensures that any court filing that includes the trade secret or Confiden□al Informa□on at issue is made under seal; and (ii) the employee does not otherwise disclose the trade secret or Confiden□al Informa□on except as required by court order.

Following the cessa□on of employment, employees shall deliver to the Company all documents or other materials in their possession, including all copies thereof, which contain or are derived from Confiden□al Informa□on, and they shall not misappropriate, u□lize, disclose or infringe upon the Confiden□al Informa□on of the Company or any of its affiliates (including the recrea□on or reconstruc□on of Confiden□al Informa□on from memory). At the Company's request, employees must delete or destroy any and all files and/or backup files on any personal computer, telephone or storage device used for Company purposes, and, at the Company's request, deliver and/or provide access to the Company to any such devices, cloud systems, disk, thumb and/or flash drives for the Company's review and permit the Company to delete all Confiden□al or other Company proprietary material contained on such devices. Employees shall not analyze, reverse engineer, or otherwise seek to determine the composi□on or structure of any sample or device provided by the Company or the method by which such sample or device was created, except as specifically authorized by the Company in wri□ng. All samples and devices, whether in whole or in pieces, shall be returned to the Company at its request.

A breach of this Agreement would cause irreparable harm and significant injury to the Company, the quan□fica□on of which is difficult to ascertain. Because such harm and injury could not be compensable by damages alone, the employee agrees that the Company shall have the right to enforce this Agreement by injunc□on (without the necessity of a bond or other security and without proving actual damages), specific performance, or other equitable relief without prejudice to any other rights and remedies available to the Company in the event of a breach of this Agreement. The employee acknowledges that: (i) an immediate and irreparable injury would occur without a seizure order; (ii) seizure of the Confiden□al Informa□on would not interrupt the legi□mate business opera□ons of the employee; and (iii) an injunc□on would not prevent the employee from entering into an employment rela□onship. You further agree that the Company shall be en□tled to its reasonable fees and costs if a court of competent jurisdic□on issues a preliminary or permanent injunc□on against you or a court of competent jurisdic□on finds that you breached the terms of the Agreement.

The Defend Trade Secrets Act of 2016 ("DTSA") governs the trade secret aspects of this Agreement. Otherwise, the validity, interpreta□on, and enforceability of this Agreement shall be governed by the laws of the State of New Jersey and the United States of America without regard to the conflict of laws principles thereof. Employees with ques□ons regarding this Confiden□ality Agreement or the Company's Confiden□ality Policy including ques□ons regarding whether any par□cular informa□on cons□tutes "Confiden□al Informa□on," the public disclosure of which is prohibited hereunder, should contact their supervisor or the Chief Compliance Officer. Employees who improperly use or disclose trade secrets or Confiden□al Informa□on may be subject to disciplinary ac□on, up to and including termina□on of employment, as well as legal ac□on, even if the employee does not actually benefit from the disclosed informa□on.

You acknowledge that you (a) have carefully read and considered the provisions of this Confiden□ality Agreement and the Company's Confiden□ality Policy (b) have had a reasonable opportunity to consult with an independent legal counsel of your choosing, and (c) accept this Confiden□ality Agreement on the terms set forth herein, intending to be legally bound. You understand that it is your responsibility to read and comply with its contents and any revisions made to it.

/s/ MAUREEN DUFFY
Employee Signature

Maureen Duffy
Employee Name (Print)

10/30/24
Date

AMERICAN WATER

INTELLECTUAL PROPERTY AGREEMENT

This Agreement sets forth the agreements between you and AWIP Holdings LLC ("AWIP") concerning any inven□ons you may make or works you may create in connec□on with your employment by American Water Works Company, Inc. or one of its affiliates or subsidiaries (collec□vely, the "Company") and your treatment of the Company's confiden□al and proprietary informa□on. You acknowledge and agree that you are signing this Agreement for good and adequate considera□on including (a) your employment by or con□nuing employment by the Company; (b) the access that the Company is providing you to certain confiden□al and proprietary informa□on and trade secrets described below; and (c) the Company's willingness to provide you with valuable opportuni□es, considera□on and/or benefits.

1.0 INVENTIONS. As used in this Agreement, the term "Inven□ons" means any and all inven□ons, ideas, and discoveries, including improvements, original works of authorship, designs, formulas, processes, methods, algorithms, computer programs or por□ons thereof, databases, trade secrets and proprietary informa□on, documenta□on, and materials made, created, conceived or reduced to prac□ce by you, whether alone or jointly with others.

a. Your Rights in Inven□ons

(i) Prior Inven□ons. In the space provided below, or on a separate sheet a□ached to this Agreement, you may list all Inven□ons (a) that you made prior to your employment by the Company; (b) that you claim belong to you, or that you claim an ownership interest in, or that you claim any other legal right or □tle in; and (c) in which you wish to retain any claimed ownership or other legal rights ("Prior Inven□ons"). If you do list such Prior Inven□ons, you hereby grant to AWIP a royalty-free, irrevocable, perpetual, worldwide license to any Prior Inven□on that is now or hereafter infringed by a Company product, process, or method of doing business (hereinafter "AWIP Product") if: (i) you were involved in the development or implementa□on of that por□on of the AWIP Product which infringes your Prior Inven□on, or (ii) you acquiesced or permi□ed other Company employees to u□lize your Prior Inven□on in the course of their development or implementa□on of the AWIP Product, or (iii) upon first learning of the Company's use of your Prior Inven□on you do not immediately no□fy in wri□ng the Company's Legal Department of the Company's infringing use of your Prior Inven□on and the need for a license thereto. If you do not list a Prior Inven□on, you acknowledge and agree that no such Prior Inven□ons exist and, to the extent such Prior Inven□ons do exist, you waive any and all rights or claims of ownership to such Prior Inven□ons. You understand that your lis□ng of any Prior Inven□on(s) here does not cons□tute an acknowledgment by the Company of the existence or extent of such Prior Inven□on, nor of your ownership of such Prior Inven□ons. Please do not use this space to disclose an on-going business or project, or a product that you are developing and/or distribu□ng.

Prior Inven□ons (descrip□on and iden□fying number of patent, copyright, or patent or copyright applica□on, if applicable):

Title Date

Brief Descrip□on of Inven□on

ð A separate sheet lis□ng Prior Inven□ons is a□ached.

(ii) Future Employee inven□ons. The Company acknowledges and agrees, in accordance with applicable state law, that any Inven□ons (a) that you develop en□rely on your own □me; and (b) that you develop without using the Company's equipment, supplies, facili□es, or trade secret informa□on; and (c) that do not result from any work performed by you for the Company; and (d) that do not relate, at the □me of concep□on or reduc□on to prac□ce, to the Company's business or products, or to the Company's actual or demonstrably an□cipated research or development, will be owned en□rely by you, even if developed by you during the □me period in which you are employed by the Company.

b. AWIP's Rights In Inven□ons

(i) Assignment of Inven□ons to AWIP. You agree that all Inven□ons that (a) are developed using the equipment, supplies, facili□es, or Proprietary Informa□on of the Company; or (b) result from or are suggested by work performed by you for the Company; or (c) are conceived or reduced to prac□ce during your employment by the Company and relate to the business and products, or to the actual or demonstrably an□cipated research or development of the Company ("AWIP Inven□ons"), are the sole and exclusive property of AWIP, and you hereby assign all your right, □tle and interest in such AWIP Inven□ons to AWIP. You agree to perform any and all acts requested by AWIP, if any, to perfect this assignment.

(ii) Disclosure. You agree to make full wri□en disclosure promptly to your direct supervisor at AWIP of any and all AWIP Inven□ons, and provide access to all notes, materials, source code, or other items related to AWIP Inven□ons.

(iii) Assignment of Moral Rights to AWIP. In addi□on, to the extent permi□ed by law, you hereby transfer and assign any "moral" rights that you may have in any AWIP Inven□on(s) under any copyright or other law, whether U.S. or foreign. "Moral" rights are defined as (1) the right of a□ribu□on (give credit to the author); and (2) the right of integrity in the AWIP Inven□on (not do something with an AWIP Inven□on, such as change or add to it, that would have a nega□ve impact on the author's reputa□on). You agree to waive and never to assert any such "moral" rights in AWIP Inven□ons during or after the cessa□on of your employment with by the Company. You agree that AWIP, its subsidiaries, and its licensees are not required to designate you as the author of any AWIP Inven□ons when distributed. You also agree that the Company retains sole discre□on with regard to how and for what purposes, if any, such AWIP Inven□on(s) are used.

c. Work for Hire

You acknowledge that all original works of authorship that are made by you (solely or jointly with others) within the scope of your employment by the Company, and that are protectable by copyright, are works made for hire, as that term is defined in the United States Copyright Act (17 U.S.C. § 101). To the extent any works created by you within the scope of your employment cannot be characterized as a work made for hire, you hereby grant, assign and transfer to AWIP all right, □tle and interest, including all intellectual property in and to works.

d. Protec□on of AWIP Inven□ons

You agree (at AWIP's expense) to assist AWIP in every proper way to obtain and to help AWIP enforce patents, copyrights, and other legal protec□ons for AWIP Inven□ons in any and all countries. You agree to promptly execute any documents that American Water may reasonably request, or perform such legal acts that may be required, for use in obtaining or enforcing such patents, copyrights, and other legal protec□ons.

2.0 CONFIDENTIAL AND PROPRIETARY INFORMATION. You understand that your employment by the Company creates a rela□onship of confidence and trust with respect to any informa□on of a confiden□al, proprietary, and secret nature that may be disclosed to you or otherwise learned by you in the course of your employment at the Company, including but not limited to any confiden□al informa□on of third par□es disclosed to the Company. Such confiden□al, proprietary, and secret informa□on includes, but is not limited to, informa□on and material rela□ng to past, present, or future Inven□ons, marke□ng plans, manufacturing and product plans, technical specifica□ons, hardware designs and prototypes, business strategies, financial informa□on, forecasts, personnel informa□on, processes, methods, algorithms, and customer lists, and is referred to collec□vely in this Agreement as "Proprietary Informa□on."

a. Confiden□ality of Proprietary Informa□on. You acknowledge and agree that your employment by the Company requires you to keep all Proprietary Informa□on in confidence and trust for the tenure of your employment and thereafter, and that you will not use or disclose Proprietary Informa□on without the wri□en consent of the Company, except as necessary to perform your du□es as an employee of the Company. Upon the cessa□on of your employment with the Company, you will promptly deliver to the Company all documents, electronically-stored informa□on, materials and property of any kind pertaining to your work at the Company, and you agree that you will not take with you any documents, electronically-stored informa□on, materials or copies thereof, or maintain access to such documents, informa□on or materials, through online digital storage services, whether on paper, electronic media or storage devices, magne□c or op□cal media, or any other medium, containing any Proprietary Informa□on.

3.0 PROTECTION OF INFORMATION OF OTHERS

a. Informa□on of Others. You agree that during your employment by the Company and thereafter, you will not improperly use or disclose to the Company any confiden□al, or proprietary, or secret informa□on of your former employer(s) or any other person(s). You further agree that you have not, and during your employment with the Company will not, bring any confiden□al, proprietary or secret informa□on of your former employer(s) or any other person(s) onto the Company's property or place any such informa□on on any of the Company's computer systems or servers.

4.0 NO CONFLICTING OBLIGATIONS

a. No Conflic□ng Outside Interests. You agree that during your employment by the Company you will not plan or engage in any other employment, occupa□ons, consul□ng or other business ac□vi□es or commitments compe□□ve with or directly related to the Company's business or products, or to its actual or demonstrably an□cipated research or development, nor will you engage in any other ac□vi□es that conflict with your employment obliga□ons to the Company. Ac□vi□es and commitments as used herein do not include passive investments in stocks or other financial instruments.

b. No Conflic□ng Agreements. You represent to the Company that you have no other commitments that would hinder or prevent the full performance of your du□es as a Company employee or your obliga□ons under this Agreement, and you agree not to enter into any such conflic□ng agreement during your employment by the company.

c. Disclosure of Agreement. You hereby authorize the Company to no□fy others, including customers of the Company, and any future employers you may have, of the terms of this Agreement and your responsibili□es under this Agreement.

5.0 PROTECTION OF COMPANY RELATIONSHIPS

If you are in a supervisory posi□on, except for employees in a supervisory posi□on in California, Illinois, and Oklahoma, during the period of your employment and for a period of one (1) year following the cessa□on of your employment, you will not, directly or indirectly, solicit, encourage, recruit, or take any ac□on intended to induce Company employees or contractors to terminate their rela□onship with the Company.

6.0 NO IMPLIED EMPLOYMENT RIGHTS. You understand and agree that no term or provision of this Agreement confers upon you any rights to con□nued employment by the Company and that no term or provision of this Agreement obligates the Company to employ you for any specific period of □me or interferes with or restricts your right or the Company's right to terminate your employment at any □me for any reason and with or without no□ce, or the Company's right to terminate your employment for just cause in accordance with the applicable collec□ve bargaining agreement if you are a union employee.

7.0 EQUITABLE RELIEF. A breach of the provisions of sec□ons 1, 2 or 4 of this Agreement would cause irreparable harm and significant injury to the Company, the quan□fica□on of which is difficult to ascertain. Because such harm and injury could not be compensable by damages alone, you agree that the Company will have the right to enforce sec□ons 1, 2 or 4 of this Agreement by injunc□on (without the necessity of a bond or other security and without proving actual damages), specific performance or other equitable relief in addi□on to any other rights and remedies available to the Company in the event of a breach of this Agreement. You further agree that the Company shall be en□tled to its reasonable fees and costs if a court of competent jurisdic□on issues a preliminary or permanent injunc□on against you or a court of competent jurisdic□on finds that you breached the terms of the Agreement.

8.0 GENERAL PROVISIONS

a. Severability. If one or more of the provisions of this Agreement is or are deemed void or unenforceable by law, then the remaining provisions shall con□nue in full force and effect.

b. Governing Law. This Agreement shall be governed by the laws of the state of New Jersey, without regard to its conflicts of law principles. Any arbitra□on or judicial ac□on between the par□es rela□ng to this Agreement will take place in Camden County, New Jersey, and you and the Company each consent to the personal jurisdic□on of and venue in the state and federal courts within Camden County, New Jersey.

c. Successors and Assigns. This Agreement will be binding upon your heirs, executors, administrators and other legal representa□ves, and will be for the benefit of the Company, its successors and assigns. You specifically acknowledge and agree that the Company may assign its rights and obliga□ons hereunder to any successor en□ty to the Company by opera□on of law or otherwise.

d. En□re Agreement. This Agreement, along with Company's CONFIDENTIALITY POLICY AND AGREEMENT of which you are also required to acknowledge receipt and understanding, sets forth the en□re agreement between you and the Company rela□ng to the subject ma□er of this Agreement. No modifica□on to or amendment of this Agreement, nor any waiver of any rights under this Agreement, will be effec□ve unless in wri□ng signed by both you and a Company officer. Any subsequent changes in your du□es, salary or compensa□on will not affect the validity or scope of this Agreement.

e. Compliance with Laws. You agree that you will comply, and do all things necessary for the Company to comply, with the laws and regula□ons of all governments where the Company does business, and with provisions of contracts between any such government or its contractors and the Company.

9.0 EMPLOYEE ACKNOWLEDGEMENT. You acknowledge that you have carefully read and considered the provisions of this Agreement, have had a reasonable opportunity to consult with an independent legal counsel of your choosing, and accept this Agreement on the terms set forth herein, intending to be legally bound.

EMPLOYEE

/s/ MAUREEN DUFFY _____ 10/30/24 _____
Employee Signature Date

Maureen Duffy _____
Employee Name (Print)

Exhibit 10.16.8

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2023 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2024	1/3
January 31, 2025	1/3
January 31, 2026	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2026, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2026, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2026, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2026, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph

3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2026, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a)

above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim

any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to

withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any

notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

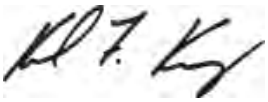
19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

Exhibit 10.16.10

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
RESTRICTED STOCK UNIT GRANT

This RESTRICTED STOCK UNIT GRANT, dated as of February 13, 2024 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2024 Long Term Performance Plan ("2024 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share, (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants: a restricted stock unit and three performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2024 LTPP and to grant the Participant an Equity Award under the 2024 LTPP; and

WHEREAS, the Committee has determined that the restricted stock unit portion of the Equity Award granted pursuant to the 2024 LTPP to the Participant shall be issued under the Plan and the terms and conditions of such restricted stock unit shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ units (the "Restricted Stock Units"). Each unit (a "Unit") shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable Redemption Date (as defined below).

2. Restricted Stock Unit Account. The Company shall establish and maintain a Restricted Stock Unit account as a bookkeeping account on its records (the "Restricted Stock Unit Account") for the Participant and shall record in such Restricted Stock Unit Account the number of Restricted Stock Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Restricted Stock Unit Account established for the Participant.

3. Vesting.

(a) Except as provided in subparagraphs (c), (d), and (e) below, the Restricted Stock Units shall vest on the following dates (each a "Service Date"), provided the Participant

continues to be employed by, or providing service to, the Employer (as defined in the Plan) from the Date of Grant through the applicable Service Date:

Service Date	Units Vesting
January 31, 2025	1/3
January 31, 2026	1/3
January 31, 2027	1/3

The vesting of the Restricted Stock Units is cumulative, but shall not exceed 100% of the Units subject to the Restricted Stock Units. If the foregoing schedule would produce fractional Units, the number of Units for which the Restricted Stock Units becomes vested on a Service Date shall be rounded down to the nearest whole Unit. The Restricted Stock Units shall become vested with respect to 100% of the Units subject to the Restricted Stock Units on January 31, 2027, if the Participant is employed by, or providing service to, the Employer on such date.

(b) Subject to subparagraphs (c), (d), and (e) below, if at any time prior to January 31, 2027, the Participant's employment or service with the Employer terminates for any reason, including death or disability, then all of the unvested Restricted Stock Units shall be immediately forfeited and the Participant shall not have any rights with respect to the vesting or the redemption of any portion of the Restricted Stock Unit.

(c) If prior to January 31, 2027, the Participant's employment or service with the Employer terminates on account of Normal Retirement (as defined below), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Normal Retirement in accordance with the schedule set forth in subparagraph 3(a). For purposes of this Grant, (i) "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause (as defined below)) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof and (ii) "Cause" shall mean a finding by the Committee that the Participant (A) has breached his or her employment or service contract with the Employer, if any; (B) has engaged in disloyalty to the Employer including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (C) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (D) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (E) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

(d) If prior to January 31, 2027, the Participant's employment or service with the Employer terminates on account of Early Retirement (as defined below), then 75% of the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall continue to become vested following the Participant's termination of employment or service on account of Early Retirement in accordance with the schedule set forth in subparagraph 3(a) and the remaining 25% of the portion of the Restricted Stock Units that have not vested as of the Participant's Early Retirement shall be immediately forfeited. For purposes of this Grant,

"Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(e) If at any time prior to January 31, 2027, but while the Participant is employed by or providing service to the Employer, a Change of Control (as defined below) occurs, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Restricted Stock Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Restricted Stock Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in 3(c)), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the portion of the Restricted Stock Units that have not yet vested as provided in subparagraph 3(a) above shall become fully vested on the date of such termination of employment or service (the "Termination Date"). For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Agreement unless the event constituting the Change of Control constitutes a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations. For the avoidance of doubt, if the Change of Control does not constitute a permitted change in control event under section 409A of the Code, then the Restricted Stock Unit shall not vest on the occurrence of the Change of Control.

4. Redemption. Unless an election is made pursuant to Paragraph 5 below, the Restricted Stock Units that have become vested pursuant to Paragraph 3 shall be redeemed by the Company on the earliest of the (i) applicable Service Date, (ii) the Change of Control Date or (iii) the Termination Date, (the date of redemption is hereinafter referred to as the "Redemption Date"). As soon as administratively practicable following the applicable Redemption Date, but not later than forty-five (45) days following the Redemption Date, (or, if applicable, the Deferred Date, as defined in Paragraph 5 below), all Restricted Stock Units that become vested pursuant to Paragraph 3 above shall be redeemed and converted to an equivalent number of shares of Company Stock, and the Participant shall receive a single distribution of such shares of Company Stock, which shall be issued under the Plan. For purposes of clarity, if any Restricted Stock Units become vested pursuant to subparagraphs 3(c) or 3(d) above as a result of termination of employment or service with the Employer on account of Normal Retirement or Early Retirement, the Redemption Date for such vested Restricted Stock Units shall be the applicable Service Date or Change of Control Date to which such Restricted Stock Units would have been redeemed if the Participant had remained in the employment or service of the Employer (i.e., the Redemption Date continues to be the originally scheduled Service Date as provided in subparagraph 3(a) above or the Change of Control Date, if earlier, and is not accelerated to an earlier Service Date or to the date on which the termination of employment or service occurs).

5. Deferrals. The Participant may make an irrevocable election to defer the Redemption Date (or further defer the Deferred Date (as defined below), if applicable) of any of the Restricted Stock Units that vest, plus dividend equivalents earned on such Restricted Stock Units as described in Paragraph 6 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the new Redemption Date cannot be earlier than five (5) years from the original Redemption Date under Paragraph 4 above (or five (5) years from the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Redemption Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Redemption Date, the Participant must complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the redemption of the Participant's Restricted Stock Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Redemption Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 5, the new Redemption Date shall be referred to as the "Deferred Date."

6. Dividend Equivalents. Until the Redemption Date (or the Deferred Date, if elected), if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Restricted Stock Units credited to the Participant's Restricted Stock Unit Account as of the date of payment of any such dividend were shares of Company Stock. On the Redemption Date (or the Deferred Date, if applicable), the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Units that have been forfeited as provided in Paragraph 3 above shall be immediately forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

7. Change of Control. Except as set forth in subparagraph 3(e) of this Grant, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Restricted Stock Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

8. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that with respect to any right to redemption or distribution pursuant to this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

9. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the redemption of the Restricted Stock Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock on the Redemption Date (or the Deferred Date, if applicable), the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that the shares of Company Stock obtained by the Participant upon the redemption of the Restricted Stock Units shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or compensation recovery or recoupment policies and other policies that may be approved by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

10. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

11. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this

Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

12. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 6), or the right to vote, with respect to any Restricted Stock Units.

13. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

14. Assignment and Transfers. No Restricted Stock Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and a Restricted Stock Unit shall be redeemed and a dividend equivalent distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Restricted Stock Unit or dividend equivalent by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

16. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Restricted Stock Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

17. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

18. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by

the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

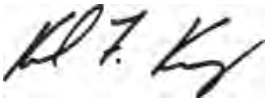
19. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Restricted Stock Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 5 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

20. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

Exhibit 10.16.21

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

[INSERT RELATIVE TSR PERFORMANCE CURVE HERE]

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2022, and December 31, 2025, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the

number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the

Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete

the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York

Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to

withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither

shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

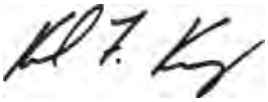
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

[INSERT LIST OF PEER GROUP COMPANIES HERE]

Exhibit 10.16.23

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 14, 2023 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2023 Long Term Performance Plan ("2023 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of three separate grants: a restricted stock unit and two performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2023 LTPP and to grant the Participant an Equity Award under the 2023 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2023 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2023 and ending December 31, 2025.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2024, but prior to January 31, 2025; (ii) 2/3, if the Participant's

employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2026. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2024 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2026 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2023 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4

above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or recoupment policies and other policies that may be implemented by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

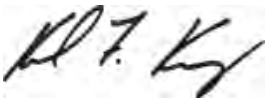
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

[INSERT COMPOUNDED EARNINGS PER SHARE GROWTH TARGET
AND CALCULATION HERE]

Exhibit 10.16.25

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 13, 2024 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2024 Long Term Performance Plan ("2024 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants: a restricted stock unit and three performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2024 LTPP and to grant the Participant an Equity Award under the 2024 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2024 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on the Performance Goal (defined below) relating to the Company's Total Stockholder Return shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goal and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goal described in Paragraph 3 below (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific

assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goal.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goal described in subparagraph (b) below for the Performance Period (the "Performance Goal") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) The Company's Total Stockholder Return ("TSR") (as described in subparagraph (c) below) will be compared to the TSR of the Peer Group companies set forth in Exhibit A attached hereto over the Performance Period (as defined below). The actual number of Performance Units the Participant earns may be greater or less than the Target Award, or even zero, based on the Company's TSR percentile ranking relative to the TSR performance of the companies in the Peer Group, as follows:

[INSERT RELATIVE TSR PERFORMANCE CURVE HERE]

If the Company's actual TSR performance is between measuring points, the number of Performance Units the Participant earns will be interpolated. If the Company's actual TSR performance is below the threshold, no Performance Units will be earned and all of Performance Units will be forfeited. If the Company's actual TSR performance is greater than the maximum, only the maximum number of Performance Units will be earned.

(c) TSR represents stock price performance and dividend accumulation over the Performance Period for the Company and Peer Group. For purposes of this calculation, the initial stock price and the ending stock price are determined using the twenty (20) day average stock price for December 31, 2023, and December 31, 2026, as applicable. The twenty (20) day average stock price is the average of the daily closing stock prices for the twenty (20) trading days that end on the applicable December 31. If December 31 is not a trading day, the closing stock price on the first trading day prior to December 31 shall be used. To determine stock price performance, each closing stock price shall be adjusted by a dividend adjustment factor. The dividend adjustment factor takes into account each per share dividend paid for the Performance Period as well as the effect of any appreciation in stock price by reason of deeming the dividend to be reinvested in the stock. The dividend adjusted price provides the closing price for the requested day, week, or month, adjusted for all applicable splits and dividend distributions. At the end of the Performance Period, the TSR for the Company, and for each company in the Peer Group, shall be determined pursuant to the following formula:

$$TSR = \frac{(\text{Dividend Adjusted Ending Stock Price} - \text{Dividend Adjusted Initial Stock Price})}{\text{Dividend Adjusted Initial Stock Price}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(d) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(f) below), the Committee will determine whether and to what extent the Performance Goal has been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(e) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent or subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and its corresponding regulations.

(f) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2024 and ending December 31, 2026, and the term "Peer Group" shall mean those companies included in Exhibit A. If at any time during the Performance Period a company in the Peer Group is no longer a publicly traded entity, such company shall be removed from the Peer Group as of January 1 of the year in which the company is no longer publicly traded.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(e), 4(b), or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; (ii) 2/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2026, but prior to January 31, 2027; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2027. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goal and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number

of Performance Units that are earned based on the Performance Goal and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2025 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goal. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any; (ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or nonsolicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2027 (the "Distribution Date"), (b) the Change of Control Date or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goal and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the

Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2024 LTPP, complete the deferral election form provided to the Participant and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4 above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is

and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

i. to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

ii. that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or compensation recovery or recoupment policies and other policies that may be approved by the Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made

pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

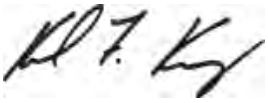
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

PSU Grant A

Exhibit A

PEER GROUP COMPANIES

[INSERT LIST OF PEER GROUP COMPANIES HERE]

Exhibit 10.16.27

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 13, 2024 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2024 Long Term Performance Plan ("2024 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants: a restricted stock unit and three performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2024 LTPP and to grant the Participant an Equity Award under the 2024 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2024 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to compounded earnings per share, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2024 and ending December 31, 2026.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; (ii) 2/3, if the Participant's

employment or service with the Employer terminates on or after January 31, 2026, but prior to January 31, 2027; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2027. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2025 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2027 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2024 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4

above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or compensation recovery or recoupment policies and other policies that may be approved by the

Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax

liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

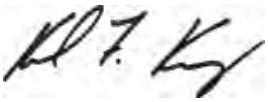
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

"PSU GRANT B – EPS"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of Compounded Earnings Per Share Growth (as described below) over the Performance Period.

[INSERT COMPOUNDED EARNINGS PER SHARE GROWTH TARGET AND CALCULATION HERE]

Exhibit 10.16.29

AMERICAN WATER WORKS COMPANY, INC.
2017 OMNIBUS EQUITY COMPENSATION PLAN
PERFORMANCE STOCK UNIT GRANT

This PERFORMANCE STOCK UNIT GRANT, dated as of February 13, 2024 (the "Date of Grant"), is delivered by American Water Works Company, Inc. (the "Company") to _____ (the "Participant").

RECITALS

WHEREAS, the Committee (as defined in the American Water Works Company, Inc. 2017 Omnibus Equity Compensation Plan (the "Plan")) has adopted a 2024 Long Term Performance Plan ("2024 LTPP") pursuant to which designated employees will be granted equity awards (collectively, the "Equity Award") for shares of Common Stock of the Company, par value $0.01 per share (the "Company Stock");

WHEREAS, the Equity Award is comprised of four separate grants: a restricted stock unit and three performance stock unit grants;

WHEREAS, the Committee has determined that the Participant is eligible to participate in the 2024 LTPP and to grant the Participant an Equity Award under the 2024 LTPP; and

WHEREAS, the Committee has determined that the performance stock unit portion of the Equity Award granted to the Participant pursuant to the 2024 LTPP shall be issued under the Plan, and the terms and conditions of the performance stock unit grant that may be earned based on Performance Goals (defined below) relating to return on equity, as set forth in Exhibit A attached hereto, shall be memorialized in this grant (the "Grant").

NOW, THEREFORE, the parties to this Grant, intending to be legally bound hereby, agree as follows:

1. Grant of Performance Stock Units. Subject to the terms and conditions set forth in this Grant and the Plan, the Company hereby grants to the Participant _____ performance stock units (the "Performance Units"). The Performance Units are contingently awarded and will be earned and distributable if and only to the extent that the Performance Goals and other conditions set forth in this Grant are met. Each Performance Unit shall be a phantom right and shall be equivalent to one share of Company Stock on the applicable payment date, as described in Paragraph 5 below. The number of Performance Units set forth above is equal to the target number of shares of Company Stock that the Participant will earn for 100% achievement of the Performance Goals described in this Grant (the "Target Award").

2. Performance Unit Account. The Company shall establish and maintain a Performance Unit account as a bookkeeping account on its records (the "Performance Unit Account") for the Participant and shall record in such Performance Unit Account the number of Performance Units granted to the Participant. The Participant shall not have any interest in any fund or specific assets of the Company by reason of this grant or the Performance Unit Account established for the Participant.

3. Performance Goals.

(a) Unless a Change of Control (as defined below) occurs prior to the end of the Performance Period (as defined below), the distribution of the shares of Company Stock attributable to the Performance Units is contingent upon achievement of the performance goals set forth in Exhibit A attached hereto (the "Performance Goals") and the Participant satisfying the continuation of employment and service with the Employer (as defined in the Plan) requirement described in Paragraph 4 below.

(b) As soon as administratively practicable following the end of the Performance Period (as defined in Paragraph 3(d) below), the Committee will determine whether and to what extent the Performance Goals have been met and the number of Performance Units the Participant has earned, if any. Except as described in Paragraph 4 below, the Participant must be employed by, or providing service to, the Employer on the last day of the Performance Period in order to earn the Performance Units.

(c) If a Change of Control occurs prior to the end of the Performance Period, the Company is not the surviving corporation (or survives only as a subsidiary of another corporation or entity (the "surviving corporation")) and the Performance Units are not converted to similar grants of the surviving corporation (or a parent or subsidiary of the surviving corporation), then the Performance Period will end on the date of the Change of Control and the Performance Units will be deemed earned at the Target Award level as of the date of the Change of Control (the "Change of Control Date"). In the event the Participant's Performance Units are assumed by the surviving corporation but the Participant ceases to be employed by, or providing service to, the surviving corporation (or a parent or subsidiary of the surviving corporation) within twelve (12) months after the date of the Change of Control on account of (i) a termination of such Participant's employment by the surviving corporation (or a parent of subsidiary of the surviving corporation) for any reason other than on account of Cause (as defined in Paragraph 4(e) hereof), or on account of death or Disability (each as defined in the Plan), or (ii) a termination of employment or service by the Participant for Good Reason (as defined in the Plan), then the Performance Period will end on the date of such termination of employment or service (the "Termination Date") and the Performance Units will be deemed earned at the Target Award level as of the Termination Date. For purposes of this Grant, "Change of Control" shall mean as such term is defined in the Plan, except that a Change of Control shall not be deemed to have occurred for purposes of this Grant unless the event constituting the Change of Control constitutes a change in ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company, within the meaning of section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and its corresponding regulations.

(d) For purposes of this Grant, the term "Performance Period" shall mean the three (3)-year period beginning on January 1, 2024 and ending December 31, 2026.

4. Termination of Employment or Service.

(a) Except as set forth in Paragraphs 3(c) 4(b) or 4(c), if, at least one year after the beginning of the Performance Period, but prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of any reason other than a termination for Cause (as defined below), the Participant will earn a pro-rata portion of the Performance Units, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. The pro-rata portion earned will be equal to the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, multiplied by a fraction, which fraction shall be equal to (i) 1/3, if the Participant's employment or service with the Employer terminates on or after January 31, 2025, but prior to January 31, 2026; (ii) 2/3, if the Participant's

employment or service with the Employer terminates on or after January 31, 2026, but prior to January 31, 2027; and (iii) 3/3, if the Participant's employment or service terminates with the Employer on or after January 31, 2027. If the Participant ceases to be employed by, or provide service to, the Employer for any reason other than on account of Cause, the prorated number of Performance Units earned by the Participant pursuant to this Paragraph 4(a) will be distributed in accordance with Paragraph 5.

(b) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement, then the Participant will earn the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period. If the Participant ceases to be employed by, or provide service to, the Employer on account of Normal Retirement pursuant to this subparagraph (b), the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Normal Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age sixty (60) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(c) Notwithstanding any provision of this Agreement to the contrary, if prior to the end of the Performance Period, the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement, then the Participant will earn 75% of the number of Performance Units that would have been earned if the Participant had remained employed through the last day of the Performance Period, if the Performance Goals and the requirements of this Grant are met as of the last day of the Performance Period, and unearned Performance Units shall be immediately forfeited. If the Participant ceases to be employed by, or provide service to, the Employer on account of Early Retirement pursuant to this subparagraph (c), then the number of Performance Units that are earned based on the Performance Goals and other requirements of this Grant will be distributed in accordance with Paragraph 5. For purposes of this Grant, "Early Retirement" shall mean termination of employment or service with the Employer (other than for Cause) after the Participant has attained age fifty-five (55) and has five (5) total years of employment or service with the Employer which includes at least three (3) consecutive full calendar years of service in the position of Chief Executive Officer, Chief Operating Officer or Chief Financial Officer, or any combination thereof.

(d) Except as set forth in Paragraphs 4(b) or 4(c), if at any time prior to the earlier of January 31, 2025 or a Change of Control, the Participant's employment or service with the Employer is terminated by the Employer on account of any reason or no reason or by the Participant for any reason or no reason, all of the Performance Units subject to this Grant shall be immediately forfeited as of the date of the Participant's termination of employment or service with the Employer and the Participant shall not have any rights with respect to the distribution of any portion of the Performance Units.

(e) If at any time prior to the date the Performance Units are distributed in accordance with Paragraph 5 the Participant's employment or service with the Employer is terminated on account of Cause, all of the Performance Units subject to this Grant shall be immediately forfeited and the Participant will not have any rights with respect to the distribution of any portion of the Performance Units, irrespective of the level of achievement of the Performance Goals. For purposes of this Grant, "Cause" shall mean a finding by the Committee that the Participant (i) has breached his or her employment or service contract with the Employer, if any;

(ii) has engaged in disloyalty to the Employer, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty; (iii) has disclosed trade secrets or confidential information of the Employer to persons not entitled to receive such information; (iv) has breached any written noncompetition or non-solicitation agreement between the Participant and the Employer; or (v) has engaged in such other behavior detrimental to the interests of the Employer as the Committee determines.

5. Time and Form of Payment with Respect to Performance Units. Unless an election is made pursuant to Paragraph 6 below, the Participant will receive a distribution with respect to the Performance Units earned as described in Paragraphs 3 and 4 above within seventy (70) days following the earliest of (a) January 31, 2027 (the "Distribution Date"), (b) the Change of Control Date, or (c) the Termination Date. The Performance Units will be distributed in shares of Company Stock, with each Performance Unit earned equivalent to one share of Company Stock. Any Performance Units not earned because of the failure to attain the Performance Goals and service condition will be immediately forfeited.

6. Deferrals. The Participant may make an irrevocable election to defer the Distribution Date (or further defer the Deferred Date (as defined below), if applicable) of all of the Performance Units that are earned, plus dividend equivalents earned on such Performance Units as described in Paragraph 7 below, to a later date, provided that, except as to any election made by the Participant to accelerate the Deferred Date in the event of his or her death prior to the Deferred Date, (a) the election shall not take effect until at least twelve (12) months after the date on which the election is made, (b) the deferred Distribution Date cannot be earlier than five (5) years from the original Distribution Date under Paragraph 5 above (or five (5) years from the applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made), and (c) the election must be made no less than twelve (12) months prior to the date of the Distribution Date (twelve (12) months prior to the previously applicable Deferred Date, if a subsequent deferral of a Deferred Date is being made). To defer the Distribution Date, the Participant must elect to defer 100% of the Performance Units, including corresponding dividend equivalents, earned by the Participant under this Grant, as well as 100% of the other performance stock units, including corresponding dividend equivalents, earned by the Participant under the 2024 LTPP, complete the deferral election form provided to the Participant, and return such form to the Company in the manner and by the deadline provided therein. If the Participant desires to make a further deferral, the Participant must make such election on a separate form provided for such purpose. Any such election shall be made in accordance with section 409A of the Code and any corresponding guidance and regulations issued under section 409A of the Code. Notwithstanding a Participant's election pursuant to this Paragraph, if the Change of Control Date or the Termination Date occurs prior to the Deferred Date, the distribution of the Participant's earned Performance Units, plus corresponding dividend equivalents, will be the Change of Control Date or the Termination Date, as applicable. If a Distribution Date is delayed one or more times pursuant to any election made by the Participant pursuant to this Paragraph 6, the new Distribution Date shall be referred to as the "Deferred Date."

7. Dividend Equivalents. Until the earlier of the Distribution Date (or the Deferred Date, if elected), the Change of Control Date or the Termination Date, if any dividends are paid with respect to the shares of Company Stock, the Company shall credit to a dividend equivalent account (the "Dividend Equivalent Account") the value of the dividends that would have been distributed if the Performance Units credited to the Participant's Performance Unit Account as of the date of payment of any such dividend were shares of Company Stock. At the same time that the Performance Units are converted to shares of Company Stock and distributed to the Participant, the Company shall pay to the Participant in a lump sum cash equal to the value of the dividends credited to the Participant's Dividend Equivalent Account; provided, however, that any dividends that were credited to the Participant's Dividend Equivalent Account that are attributable to Performance Units that have been forfeited as provided in Paragraph 3 and 4

above shall be forfeited and not payable to the Participant. No interest shall accrue on any dividend equivalents credited to the Participant's Dividend Equivalent Account.

8. Change of Control. Except as set forth above, the provisions set forth in the Plan applicable to a Change of Control (as defined in the Plan) shall apply to the Performance Units, and, in the event of a Change of Control, the Committee may take such actions as it deems appropriate pursuant to the Plan and is consistent with the requirements of section 409A of the Code.

9. Acknowledgment by Participant. By accepting this Grant, the Participant acknowledges that, with respect to any right to distribution pursuant to the Plan or this Grant, the Participant is and shall be an unsecured general creditor of the Company without any preference as against other unsecured general creditors of the Company, and the Participant hereby covenants for himself or herself, and anyone at any time claiming through or under the Participant, not to claim any such preference, and hereby disclaims and waives any such preference which may at any time be at issue, to the fullest extent permitted by applicable law.

10. Restrictions on Issuance or Transfer of Shares of Company Stock.

(a) To the extent permitted by Code section 409A, the obligation of the Company to deliver shares of Company Stock upon the Participant earning the Performance Units shall be subject to the condition that shares of Company Stock be qualified for listing on the New York Stock Exchange or another securities exchange and be registered under the Securities Act of 1933, as amended, and that any consent or approval of any governmental regulatory body that is necessary to issue shares of Company Stock has been so obtained, and that shares of Company Stock may not be issued in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

(b) The issuance of shares of Company Stock and the payment of cash to the Participant pursuant to this Grant is subject to any applicable taxes and other laws or regulations of the United States or of any state having jurisdiction thereof.

(c) As a condition to receive any shares of Company Stock upon conversion of the earned Performance Units, the Participant agrees:

(i) to be bound by, and to comply with, the Company's policies and practices (as they may be in effect from time to time) regarding the restrictions or limitations on the transfer of such shares, and understands that the Participant may be restricted or prohibited at any time and/or from time to time from selling, transferring, pledging, donating, assigning, margining, mortgaging, hypothecating or otherwise encumbering the shares in accordance with such policies and practices, including without limitation the Company's Insider Trading and Prohibited Transactions Policy and the Personal Securities Trading and Preclearance Practice; and

(ii) that any shares of Company Stock received by the Participant upon the distribution of the earned Performance Units pursuant to this Grant shall be subject to the guidelines and restrictions set forth in the Company's Executive Stock Ownership Guidelines and Executive Stock Retention Requirements, effective as of July 26, 2022 (and as they may be amended, restated, supplemented and interpreted), and any applicable clawback or compensation recovery or recoupment policies and other policies that may be approved by the

Company's Board of Directors or a duly authorized committee thereof, from time to time.

11. Participant Undertaking. The Participant agrees to take whatever additional actions and execute whatever additional documents the Company may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the provisions of this Grant.

12. Grant Subject to Plan Provisions. This Grant is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. In the event of any contradiction, distinction or difference between this Grant and the terms of the Plan, the terms of the Plan will control. Except as otherwise defined in this Grant, capitalized terms used in this Grant shall have the meanings set forth in the Plan. This Grant is subject to the interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the shares of Company Stock, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe this Grant pursuant to the terms of the Plan, its decisions shall be conclusive as to any questions arising hereunder. By accepting this Grant, the Participant agrees (i) to be bound by the terms of the Plan and this Grant, (ii) to be bound by the determinations and decisions of the Committee with respect to this Grant, the Plan and the Participant's rights to benefits under this Grant and the Plan, and (iii) that all such determinations and decisions of the Committee shall be binding on the Participant, his or her beneficiaries and any other person having or claiming an interest under this Grant and the Plan on behalf of the Participant.

13. No Rights as Stockholder. The Participant shall not have any rights as a stockholder of the Company, including the right to any cash dividends (except with respect to the dividend equivalent rights provided in Paragraph 7), or the right to vote, with respect to any Performance Units.

14. No Rights to Continued Employment or Service. This Grant shall not confer upon the Participant any right to be retained in the employment or service of the Employer and shall not interfere in any way with the right of the Employer to terminate the Participant's employment or service at any time. The right of the Employer to terminate at will the Participant's employment or service at any time for any reason is specifically reserved.

15. Assignment and Transfers. No Performance Units or dividend equivalents awarded to the Participant under this Grant may be transferred, assigned, pledged, or encumbered by the Participant and the Performance Units and dividend equivalents shall be distributed during the lifetime of the Participant only for the benefit of the Participant. Any attempt to transfer, assign, pledge, or encumber the Performance Units or dividend equivalents under this Grant by the Participant shall be null, void and without effect. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company. This Grant may be assigned by the Company without the Participant's consent.

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax

liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

17. Effect on Other Benefits. The value of shares of Company Stock and dividend equivalents distributed with respect to the Performance Units shall not be considered eligible earnings for purposes of any other plans maintained by the Company or the Employer. Neither shall such value be considered part of the Participant's compensation for purposes of determining or calculating other benefits that are based on compensation, such as life insurance.

18. Applicable Law. The validity, construction, interpretation and effect of this Grant shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflict of laws provisions thereof.

19. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company in care of the General Counsel at the Company's corporate headquarters, and any notice to the Participant shall be addressed to such Participant at the current address shown on the payroll records of the Employer, or to such other address as the Participant may designate to the Employer in writing. Any notice shall be (i) delivered by hand, (ii) delivered by a national overnight courier or delivery service, (iii) enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service, or (iv) in the case of notices by the Company to the Participant, delivered by e-mail or other electronic means (with confirmation of receipt to be made by any oral, electronic or written means).

20. Taxation; Code Section 409A. As applicable, this Grant is intended to comply with the requirements of section 409A of the Code and shall be interpreted and administered in accordance with Code section 409A. Notwithstanding any provision to the contrary herein, if the Performance Units constitute "deferred compensation" under section 409A of the Code, distributions made with respect to this Grant may only be made in a manner and upon an event permitted by Code section 409A. To the extent that any provision of the Grant would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Grant to fail to satisfy the requirements of Code section 409A, such provision shall, to the extent practicable if permitted by applicable law, be deemed null and void. In the event that it is determined not feasible to void a provision of this Grant, such provision shall be construed in a manner as to comply with the Code section 409A requirements. This Grant may be amended without the consent of the Participant in any respect deemed by the Committee or its delegate to be necessary in order to comply with Code section 409A. Unless a valid election is made pursuant to Paragraph 6 above, in no event may the Participant, directly or indirectly, designate the calendar year of distribution. Notwithstanding anything in the Plan or the Grant to the contrary, the Participant shall be solely responsible for the tax consequences of this Grant, and in no event shall the Company have any responsibility or liability if this Grant does not meet any applicable requirements of Code section 409A.

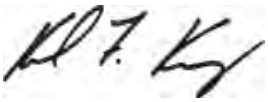
21. Severability. In the event one or more of the provisions of this Grant should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Grant, and this Grant will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

[*SIGNATURE PAGE FOLLOWS*]

IN WITNESS WHEREOF, the Company has caused this Grant to be executed, effective as of the Date of Grant.

AMERICAN WATER WORKS COMPANY, INC.

By: Karl F. Kurz



Its: Board Chair

"PSU GRANT C – ROE"

EXHIBIT A

PERFORMANCE GOALS

The number of Performance Units that may be earned shall be determined based on the achievement of the Return on Equity (as described below) over the Performance Period.

[INSERT RETURN ON EQUITY TARGET AND CALCULATION HERE]

Exhibit 10.16.30

AMENDMENT TO FORMS OF 2023 AND 2024 LONG-TERM PERFORMANCE PLAN GRANT DOCUMENTS FOR MAUREEN DUFFY, MELANIE M. KENNEDY AND STACY A. MITCHELL

Effective December 6, 2024, Section 15 of the grant documents for the 2023 and 2024 Restricted Stock Unit Grants has been amended for each of the above-referenced executive officers of American Water Works Company, Inc., as follows:

15. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and redemption of the Restricted Stock Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the redemption of the Restricted Stock Units may~~, at the Committee's discretion,~~ be satisfied by having shares of Company Stock withheld for federal (including FICA), state, local and other tax liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles ~~minimum applicable withholding tax rate for federal (including FICA), state, local and other tax liabilities~~.

Effective December 6, 2024, Section 16 of the 2023 Performance Stock Unit Grant Forms A1 and B1, and the 2024 Performance Stock Unit Grant Forms A1, B1 and C1, has been amended for each of the above-referenced executive officers of American Water Works Company, Inc. as follows:

16. Withholding. The Participant shall be required to pay to the Employer, or make other arrangements satisfactory to the Employer to provide for the payment of, any federal, state, local or other taxes that the Employer is required to withhold with respect to the grant, vesting and distribution of the Performance Units and payment of dividend equivalents. Any tax withholding obligation of the Employer with respect to the distribution of shares of Company Stock pursuant to the Performance Units that are earned by the Participant under this Grant may~~, at the Committee's discretion,~~ be satisfied by having shares of Company Stock withheld ~~up to an amount that does not exceed the minimum applicable withholding tax rate~~ for federal (including FICA), state, local and other tax liabilities, up to an amount that does not exceed the maximum rate permitted by U.S. generally accepted accounting principles.

AMENDMENT NO. 2 TO SECURED SELLER NOTE AGREEMENT

This AMENDMENT NO. 2 TO SECURED SELLER NOTE AGREEMENT, dated as of December 3, 2024 (this "Amendment"), is entered into by and among Lakehouse BidCo Inc., a Delaware corporation ("Holdings"), Lakehouse Buyer Inc., a Delaware corporation (the "Borrower"), each Subsidiary Guarantor party hereto and American Water Enterprises, LLC, a Delaware limited liability company (the "Lender").

RECITALS

WHEREAS, the Borrower, Holdings, the Subsidiary Guarantors and the Lender have entered into that certain Secured Seller Note Agreement, dated as of December 9, 2021 (as supplemented by that certain Joinder Agreement, dated as of January 6, 2022, as modified by that certain Limited Waiver, dated as of April 27, 2022, as amended by that certain Amendment No. 1, dated as of February 2, 2024, and as further amended, extended, restated, amended and restated, replaced, supplemented or otherwise modified from time to time prior to the date hereof, the "Seller Note Agreement"; the Seller Note Agreement, as amended by this Amendment, the "Amended Seller Note Agreement");

WHEREAS, Section 8.02 of the Seller Note Agreement provides that Holdings, the Borrower and the Lender may amend provisions of the Seller Note Agreement pursuant to an agreement in writing; and

WHEREAS, the Borrower and Holdings have requested that the Lender consent to the amendments to the Seller Note Agreement as set forth in Section 2 below.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Holdings, the Borrower, the Subsidiary Guarantors and the Lender hereby agree as follows:

Section 1. Defined Terms; References. Unless otherwise specifically defined herein, each capitalized term used herein which is defined in the Amended Seller Note Agreement has the meaning assigned to such term in the Amended Seller Note Agreement. The rules of construction specified in Section 1.02 of the Amended Seller Note Agreement also apply to this Amendment.

Section 2. Amendment to the Seller Note Agreement.

Effective as of the Amendment No. 2 Effective Date, Section 6.01(r) of the Credit Agreement is hereby amended by replacing the reference to "$75,000,000" therein with "$100,000,000".

Section 3. Conditions to Effectiveness. This Amendment shall become effective as of the first date (the "Amendment No. 2 Effective Date") on which the following conditions have been satisfied or waived:

(a) The Lender (or its counsel) shall have received (i) from each Loan Party, either (A) a counterpart of this Amendment signed on behalf of such Loan Party or (B) written evidence satisfactory to the Lender (which may include facsimile or other electronic transmissions of signed signature pages) that such parties have signed counterparts of this Amendment, and (ii) an executed copy, dated as of the date hereof, of an amendment to that certain Revolving Credit Agreement, dated as of December 9, 2021, among the Borrower, Holdings, the subsidiaries of Holdings party thereto, Bank of America, N.A., as Administrative Agent and the lenders party thereto.

(b) The Borrower shall have paid all reasonable and documented out-of-pocket fees and expenses incurred in connection with this Amendment and the transactions contemplated hereby, including legal fees and expenses invoiced by Allen Overy Shearman Sterling US LLP (in its capacity as legal counsel to the Lender) at least two Business Days prior to the Amendment No. 2 Effective Date.

Section 4. Representations and Warranties. Each Loan Party represents and warrants to the Lender, as of the Amendment No. 2 Effective Date and after giving effect to this Amendment:

(a) each of the representations and warranties contained in the Loan Documents are true and correct in all material respects (provided that any representation or warranty that is qualified by materiality or Material Adverse Effect shall be true and correct in all respects) on and as of the Amendment No. 2 Effective Date, with the same effect as though made on and as of such date; except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) on and as of such earlier date;

(b) the transactions contemplated by this Amendment are within each Loan Party's organizational powers and have been duly authorized by all necessary organizational actions and, if required, actions by equity holders;

(c) this Amendment has been duly executed and delivered by each Loan Party and constitutes a legal, valid and binding obligation of such Loan Party, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and to general principles of equity and principles of good faith and dealing;

(d) the execution and delivery of this Amendment by each Loan Party party hereto, the performance by such Loan Party hereof and the transactions contemplated by this Amendment (i) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except (A) such as have been obtained or made and are in full force and effect, (B) for filings necessary to perfect Liens created pursuant to the Loan Documents and (C) such consents, approvals, registrations, filings, or other actions the failure to obtain or make which could not be reasonably expected to have a Material Adverse Effect, (ii) will not violate (1) such Loan Party's Organizational Documents or (2) any Requirement of Law applicable to Holdings or the Borrower which, in the case of this clause (ii)(2), could reasonably be expected to have a Material Adverse Effect, and (iii) will not violate or result in a default under any material Contractual Obligation of any such Loan Parties which violation or default could reasonably be expected to result in a Material Adverse Effect;

(e) as of the Amendment No. 2 Effective Date, immediately prior to giving effect to this Amendment, (i) no Default or Event of Default has occurred and is continuing, and (ii) immediately after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing;

(f) since the Closing Date, there has been no event or condition that has resulted, or would reasonably be expected to result, in a Material Adverse Effect;

(g) as of the Amendment No. 2 Effective Date, all information (other than (i) forecasts, financial estimates, other forward-looking information and/or (ii) projected information and information of a general economic or industry-specific nature) concerning Holdings and the Borrower that was prepared by or on behalf of Holdings or the Borrower or their respective representatives and made available to the Lender in connection with the transactions contemplated hereby on or before the Amendment No. 2 Effective Date, when taken as a whole, did not, when furnished, contain any untrue statement of a material fact or omit to state a material

fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made (after giving effect to all supplements and updates thereto from time to time prior to the Amendment No. 2 Effective Date);

(h) as of the Amendment No. 2 Effective Date, immediately after giving effect to the transactions contemplated hereby, (i) the sum of the debt (including contingent liabilities) of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, does not exceed the fair value of the assets of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, (ii) the present fair saleable value of the assets of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, is not less than the amount that will be required to pay the probable liabilities (including contingent liabilities) of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, on their debts as they become absolute and matured, (iii) the capital of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, is not unreasonably small in relation to the business of Holdings and its Subsidiaries, on a consolidated basis taken as a whole, contemplated as of the Amendment No. 2 Effective Date, and (iv) Holdings and its Subsidiaries, on a consolidated basis taken as a whole, do not intend to incur, or believe that they will incur, debts (including current obligations and contingent liabilities) beyond their ability to pay such debts as they mature in the ordinary course of business. For purposes of the foregoing determination, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability; and

(i) on the Amendment No. 2 Effective Date, not more than 25% of the value of the assets of Holdings, and its Subsidiaries, taken as a whole, is represented by Margin Stock.

Section 5. Further Acknowledgments.

(a) The Borrower acknowledges and agrees that (A) (i) it shall be liable for all Obligations (for the avoidance of doubt, after giving effect to the transactions contemplated hereby) with respect to the Loan provided hereby and (ii) all such Obligations shall be entitled to the benefits of the Collateral Documents and the Loan Guaranty, (B) after giving effect to this Amendment, the Collateral Documents continue to be in full force and effect and affirms and confirms the pledge of and/or grant of security interest in its assets as Collateral to secure the Obligations, which continue in full force and effect and (C) the Obligations, together with all fees, costs, expenses and other charges due and owing by the Borrower to the Lender under the Loan Documents as of the date hereof are unconditionally owing by the Borrower to the Lender, without offset, defense or counterclaim of any kind, nature or description whatsoever.

(b) Each Loan Guarantor acknowledges and agrees to each of the provisions of this Amendment. Each Loan Guarantor acknowledges and agrees that after giving effect to this Amendment, the Loan Guaranty and the Collateral Documents continue to be in full force and effect and affirms and confirms its guarantee of the Obligations and the pledge of and/or grant of security interest in its assets as Collateral to secure the Obligations, which continue in full force and effect and shall accrue to the benefit of the Lender and shall not be affected, impaired or discharged hereby or by the transactions contemplated by this Amendment.

(c) Each of the Borrower and each Loan Guarantor hereby acknowledges and agrees that neither the modification of the Seller Note Agreement effected pursuant to this Amendment nor the execution, delivery, performance or effectiveness of this Amendment impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document, and such Liens continue unimpaired with the same priority to secure repayment of all Obligations, whether heretofore or hereafter incurred.

Section 6. Governing Law. (a) THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AMENDMENT, WHETHER IN TORT, CONTRACT (AT LAW OR IN EQUITY) OR OTHERWISE, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. SECTIONS 8.10 AND 8.11 OF THE SELLER NOTE AGREEMENT ARE HEREBY INCORPORATED *MUTATIS MUTANDIS* AND SHALL APPLY HERETO.

Section 7. Severability. If any provision of this Amendment is held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity and enforceability of the remaining provisions hereof and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8. Miscellaneous.

(a) This Amendment may be manually or electronically executed in counterparts (and by different parties hereto on different counterparts (including by facsimile or electronic transmission (including .pdf file, .jpeg file, Adobe Sign, or DocuSign))), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment, the other Loan Documents and any separate letter agreements with respect to fees payable to the Lender constitute the entire agreement among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Amendment shall become effective when it shall have been executed by Holdings, the Borrower, the other Subsidiaries of Holdings party hereto and the Lender and when the Lender shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or by email as a ".pdf" or ".tif" attachment shall be effective as delivery of a manually executed counterpart of this Amendment.

(b) The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

Section 9. Effect of Amendment.

(a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of, the Lender under the Seller Note Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Seller Note Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. The parties hereto acknowledge and agree that this Amendment shall not constitute a novation of the Seller Note Agreement and the other Loan Documents as in effect prior to the Amendment No. 2 Effective Date or serve to effect a novation of the Obligations outstanding under the Seller Note Agreement or instruments guaranteeing or securing the same, which instruments shall remain and continue in full force and effect. Nothing herein shall be deemed to establish a precedent for purposes of

interpreting the provisions of the Seller Note Agreement or entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Seller Note Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply to and be effective only with respect to the provisions of the Seller Note Agreement and the other Loan Documents specifically referred to herein.

(b) On and after the First Amendment Effective Date, each reference in the Seller Note Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference to the Seller Note Agreement, "thereunder", "thereof", "therein" or words of like import in any other Loan Document, shall be deemed a reference to the Amended Seller Note Agreement. This Amendment shall constitute a "Loan Document" for all purposes of the Seller Note Agreement and the other Loan Documents.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their officers as of the date first above written.

LAKEHOUSE BIDCO INC.,
as Holdings

By: /s/ JOSHUA COHEN
Name: Joshua Cohen
Title: Chief Financial Officer

LAKEHOUSE BUYER INC.,
as the Borrower

By: /s/ JOSHUA COHEN
Name: Joshua Cohen
Title: Chief Financial Officer

AMERICAN WATER RESOURCES, LLC,
as a Subsidiary Guarantor

By: /s/ JOSHUA COHEN
Name: Joshua Cohen
Title: Chief Financial Officer

PIVOTAL HOME SOLUTIONS, LLC,
as a Subsidiary Guarantor

By: /s/ JOSHUA COHEN
Name: Joshua Cohen
Title: Chief Financial Officer

AMERICAN WATER RESOURCES HOLDINGS, LLC,
as a Subsidiary Guarantor

By: /s/ JOSHUA COHEN
Name: Joshua Cohen
Title: Chief Financial Officer

AMERICAN WATER RESOURCES OF TEXAS, LLC,
as a Subsidiary Guarantor

By: /s/ JOSHUA COHEN
Name: Joshua Cohen
Title: Chief Financial Officer

AMERICAN WATER RESOURCES OF FLORIDA, LLC,
as a Subsidiary Guarantor

By: /s/ JOSHUA COHEN
Name: Joshua Cohen
Title: Chief Financial Officer

[Signature Page to Amendment No. 2]

AMERICAN WATER ENTERPRISES, LLC, as the Lender
By: AMERICAN WATER WORKS COMPANY, INC., its sole member

By: /s/ DAVID M. BOWLER
Name: David M. Bowler
Title: Executive Vice President and Chief Financial Officer

[Signature Page to Amendment No. 2]

Exhibit 19.1

POLICY DOCUMENT

Insider Trading and Prohibited Transactions Policy

Policy Number: POL-LEG01

Applicability: American Water Works Company, Inc. and its subsidiaries

Effective Date: 12/1/2024

ELT Sponsor: Executive Vice President and General Counsel

Document Author: Vice President, Chief SEC Counsel and Secretary

I. PURPOSE

This Policy governs securities trading and transactions and the confidentiality of material, non-public information related to the Company. This Policy has been adopted by the Company's Board of Directors to promote compliance with Securities Laws that prohibit trading in securities on the basis of material non-public information.

This Policy applies to transactions in Company Securities and Derivative Securities. The Policy also applies to transactions in Other Securities of an entity other than the Company, when (i) a Covered Person is aware of material, non-public information regarding that entity and (ii) the information is obtained through the Company or by virtue of a person's employment or other relationship with the Company.

It is important that all Covered Persons review the Policy carefully and periodically. Noncompliance with the Policy is grounds for immediate sanctions, including but not limited to termination of employment or service. Trading on the basis of material non-public information is also a serious violation of Securities Laws, leading potentially to both civil and criminal penalties.

Section X contains a list of definitions for capitalized terms used in this Policy.

II. POLICY STATEMENT

All persons or entities subject to this Policy have ethical and legal obligations to (i) maintain the confidentiality of information about the Company and (ii) not engage in Covered Transactions while aware of material non-public information at the time of the transaction. In all cases, the responsibility for determining whether a person or entity is aware of material non-public information rests with that person or entity.

Furthermore, the Policy prohibits certain other transactions, called "Prohibited Transactions", that tend to focus on short-term profit or loss, rather than the long-term success of the Company. By eliminating Prohibited Transactions, the Company seeks to align the interests of Covered Persons with the Company's business strategy and the Company's long-term shareholders. These transactions are prohibited even in circumstances where a Covered Person may not be aware of any material non-public information.

Except as specifically noted herein, there are no exceptions to this Policy.

III. THE INSIDER TRADING POLICY

A. Who is Covered by the Policy?

This Policy applies to all Covered Persons, and to Family Members and Controlled Entities of Covered Persons, as further described below. Each Covered Person is individually responsible for complying with this Policy. A Covered Person is also responsible for transactions of the Covered Person's Family Members and Controlled Entities. For the purposes of this Policy and the Securities Laws, each Covered Person should treat all transactions by Family Members or Controlled Entities as if the transactions were for the Covered Person's own account. Therefore, a Covered Person must make their Family Members

aware of the need to communicate with the Covered Person before a Family Member or any related Controlled Entity engages in a transaction covered by this Policy.

A Covered Person may continue to be subject to the Policy after the end of employment or service with the Company. If a Covered Person is aware of material non-public information when employment or service with the Company ends for any reason, the Covered Person (including Family Members and Controlled Entities) may not engage in Covered Transactions (as described in Section III.D of this Policy) until that information has become public or is no longer material. A determination as to whether, and for how long, a Covered Person may remain as such following such person's resignation, retirement or termination of service from the Company, may be made by the Chief SEC Counsel, after consultation with the General Counsel and/or the Chief Financial Officer in appropriate circumstances.

B. What is Material Information?

Information is considered "material" if a reasonable investor would consider that information important in the context of the total mix of information in making a decision to buy, hold or sell Company Securities, Derivative Securities or Other Securities. Any information that could reasonably be expected to affect the price of these securities, whether positive or negative, should be considered material. There is no bright-line standard or numerical test for assessing materiality, even with respect to financial information or similar data. Materiality is based on an assessment of all of the facts and circumstances and is often evaluated by enforcement authorities with the benefit of hindsight. The broadest interpretation should be given as to whether information is material, and it is important to review the information in context of other existing information and other surrounding facts and circumstances. The following is an illustrative list of information that could be regarded as material:

- Quarterly and annual earnings or losses and other similar financial information
- Earnings guidance or projections about earnings or other financial information, including amendments to or confirmations of any previously announced guidance, or the decision to suspend the use of such guidance;
- Dividend changes;
- A current, proposed or contemplated offering of securities;
- Establishing, modifying or terminating a repurchase program for securities;
- Pending or proposed acquisitions, mergers, joint ventures, divestitures or tender offers;
- Pending or proposed new or expanding businesses, products or services, including establishing new service territories;
- Significant events associated with regulatory proceedings involving the Company's utility subsidiaries, including, without limitation, the initiation, termination and resolution of such proceedings;
- The acquisition or loss of a significant contract or customer;
- A restructuring of assets, personnel or operations;
- Significant changes to the Board of Directors or senior management;
- Significant related person transactions;
- Bank borrowings or other financing transactions, other than in the ordinary course of the Company's business;
- Regulatory developments of significant impact;
- Pending or threatened significant litigation or investigations, including the resolution of or other significant developments with respect to any litigation or investigation;
- Severe liquidity problems or impending bankruptcy;
- A significant disruption of or to the Company's operations;
- A loss or potential loss, or breach or unauthorized access, to its properties or assets, including infrastructure, facilities or technology;
- A change in auditors or notification that the auditor's reports may no longer be relied upon; or
- An imposition of a ban on trading in securities.

When in doubt as to the materiality of any non-public information, a Covered Person should refrain from entering into any transaction and consult with their manager or supervisor, or the Chief SEC Counsel.

If a manager discloses material non-public information to other persons, the manager must let them know that they are prohibited from engaging in transactions, except as permitted by this Policy or the Personal

Securities Trading and Preclearance Practice, until such time as the information is no longer material or has been publicly disclosed by the Company, as explained in Section III.C. below.

C. When is Information Considered Public?

Information that has not been broadly disclosed to investors and the trading markets is generally considered to be non-public information. For information to be publicly disclosed, information must have been broadly disseminated to investors and sufficient time given for the trading markets to process and absorb that information.

Information generally would be considered broadly disseminated if it has been disclosed through:

- a filing with the SEC, such as a Form 8-K or other report;
- a press release issued via a national newswire service;
- a broadcast on a broadly-available radio or television program; or
- publication in a newspaper or magazine with significant circulation (such as *The Wall Street Journal*).

By contrast, information would likely not be considered broadly disseminated if it is available only to the Company's employees or if it is only available to a select group of third parties. For example, disclosures made in regulatory proceedings, such as testimony given or briefs filed in rate cases, or in litigation proceedings, may be considered non-public for purposes of this Policy even though the information may no longer be viewed as confidential. Depending on the specific facts and circumstances, information on the Company's or another web site may or may not be broadly disseminated; thus, such information should not be viewed as publicly disclosed for purposes of this Policy unless determined otherwise by the Chief SEC Counsel after consultation with the General Counsel and/or Chief Financial Officer.

Once information is broadly disseminated, it is necessary to allow sufficient time for the investing public to absorb the information. As a general rule, and while specific facts may require or permit reaching a different conclusion, information should be considered absorbed by the marketplace when two full trading days have elapsed after the information is broadly disseminated.

Questions as to whether information may be considered public should be discussed with the Chief SEC Counsel.

D. What is a Covered Transaction?

The Policy applies to any acquisition, disposition or other transfer involving Company Securities, Derivative Securities or Other Securities, other than transactions specifically excepted by this Policy (these are collectively referred to in this Policy as "Covered Transactions"). Issuers of Other Securities may be other companies or entities with which the Company does business, such as a customer, vendor, contractor or supplier of the Company.

For purposes of this Policy, a Covered Transaction includes transactions even when nothing is received in exchange for the security, and regardless of whether the transaction is effected in the open market or in a privately-negotiated transaction.

The following are illustrative examples of Covered Transactions:

- ordinary open-market purchase and sales;
- gifts of securities;
- transfers or contributions of securities to a trust or other entity;
- private sales or transfers of securities, effected other than through a broker or a securities market;
- transfers among family members or other related parties;
- reorganizations of entities that own securities;
- transfers following death or incident to the divorce of the owner;
- transfers that may be required by a legal process, or a court or administrative order.

E. What Trading and Disclosure Activities are Prohibited by the Policy?

No Covered Person, Family Member or Controlled Entity who is aware of material non-public information may, directly or indirectly (including indirectly through Family Members, Controlled Entities or other persons who may not be aware of such information):

- engage in any Covered Transaction in Company Securities or Derivative Securities, except through a Rule 10b5-1 plan approved as provided in this Policy;
- engaged in any Covered Transaction in Other Securities when aware of material non-public information about the other company;
- advise others, generally or specifically, concerning a Covered Transaction;
- disclose material non-public information (also called "tipping") to persons within or outside the Company to any person who does not have a "need to know" that information, except for disclosures made in accordance with the Company's policies regarding the protection or authorized external disclosure of information regarding the Company; or
- assist anyone in taking any of the foregoing actions.

These prohibitions remain in effect until the material non-public information is fully disclosed and broadly disseminated to the public, or until the information, although not disclosed, ceases to be material. For example, knowledge about an impending potential acquisition would no longer be material if the parties ultimately determine not to enter into an acquisition agreement.

F. Special Situations: Transactions under Company Plans

Transactions involving Company Securities and Derivative Securities under certain of the Company's benefit and other plans are subject to the following rules:

Plan or Transaction	This Policy DOES NOT apply to	This Policy DOES apply to
Stock option exercises	the exercise of a Derivative Security, such as a stock option, acquired pursuant to a Company equity compensation plan; or any transaction effected as part of the withholding of Company Securities to satisfy tax withholding requirements.	Any sale of Company Securities as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating cash needed to pay the exercise price of an option.
Equity compensation plan awards	the granting or vesting of Derivative Securities or Company Securities that are awards (including options, restricted stock units, performance stock units or shares of common stock) under any Company equity compensation plan that has been approved by the Company's stockholders; or any transaction effected as part of the withholding of Company Securities to satisfy tax withholding requirements, if effected in compliance with the terms of a Company equity compensation plan or award.	Any simultaneous or subsequent sale of Company Securities.

ESPP	any decision to enroll in the ESPP during an ESPP open enrollment period; any purchases of Company Securities through the ESPP resulting from a periodic contribution of money to the ESPP during a purchase period pursuant to a payroll contribution election; any changes in a payroll contribution election made in accordance with the terms of the ESPP; or any decision to terminate or suspend participation in the ESPP If the ESPP obtains Company Securities in open-market transactions rather than from the Company, enrollments in and changes in payroll contribution elections would become subject to the Policy. In this case, the Company would communicate this change to persons subject to the Policy.	Any sales of Company Securities purchased pursuant to the ESPP.
Dividend reinvestment plans and programs	An election to participate or terminate participation in American Water Stock Direct, the Company's direct stock purchase and dividend reinvestment plan (or any successor plan); purchases of Company Securities through American Water Stock Direct resulting solely from the automatic reinvestment of dividends paid on the Company's Securities; or purchases of Company Securities resulting solely from the automatic reinvestment of dividends paid on the Company's Securities pursuant to any dividend reinvestment program, plan or feature offered by a third-party broker or dealer (a "Broker DRP") that operates in a manner substantially similar to American Water Stock Direct. If Company Securities are provided to American Water Stock Direct in open-market transactions rather than directly from the Company, elections to participate in this plan would become subject to the Policy. In this case, the Company will communicate this change to persons subject to the Policy.	An election to participate or terminate participation in a Broker DRP; voluntary purchases of Company Securities resulting from additional contributions in American Water Stock Direct; or any sale of any Company Securities received through any reinvestment of dividends on Company Securities, whether through American Water Stock Direct, a Broker DRP or otherwise.
Other transactions with the Company	Any other purchase of Company Securities from the Company or sales of Company Securities to the Company	N/A

G. Rule 10b5-1 Plans

Under SEC Rule 10b5-1, a purchase or sale of a security will not be deemed to have been made on the basis of material non-public information if the person making the trade demonstrates that the trade was made pursuant to a binding agreement or written plan entered into or adopted at a time that the person was not aware of any material nonpublic information, and otherwise complies with all of the other requirements of such rule. As used in this Policy, a Rule 10b5-1 plan refers to a written plan (a) regarding the method for effecting future transactions in securities entered into or adopted at a time when the person is not aware of material non-public information and (b) that complies with all of the requirements of such rule. A person that effects a transaction pursuant to a valid and compliant Rule 10b5-1 plan may have a defense against a claim that the transaction violated the U.S. federal insider trading rules.

Transactions under a Rule 10b5-1 plan as defined above will not be subject to this Policy if all of the following conditions below are met:

- The Rule 10b5-1 plan must comply and be operated in accordance with all applicable legal requirements, including under the Federal securities laws.
- The Rule 10b5-1 plan must be entered into during an open trading window and when a person is not aware of material non-public information, and should not involve complex trading mechanisms.
- The Rule 10b5-1 plan may be amended or terminated only (a) when a person is not aware of material non-public information and (b) in accordance with all of the requirements of Rule 10b5-1.
- The transaction must comply with all of the terms and conditions of the Rule 10b5-1 plan.
- All applicable requirements in the Personal Securities and Trading Preclearance Practice with respect to Rule 10b5-1 plans and SEC reporting requirements must be met.
- The Rule 10b5-1 plan must be reviewed and approved by the Chief SEC Counsel prior to any effecting any transactions, except that with respect to the review of a Rule 10b5-1 plan for any director or executive officer, the Chief SEC Counsel will consult with the Chief Executive Officer, the Chief Financial Officer and the General Counsel, who will collectively confer and determine whether to approve the Rule 10b5-1 plan.

H. Mutual Funds

Transactions in securities issued by mutual funds, exchange-traded funds, index funds or other “broad basket” funds that own or hold Company Securities as one of many investments are not subject to this Policy.

IV. PROHIBITED TRANSACTIONS

Even in circumstances where a director, officer or employee is not aware of material non-public information, they (including Family Members and Controlled Entities) may not engage in Prohibited Transactions, each of which is described in more detail below. These include:

- Short sales and “short sales against the box”;
- Hedging transactions and other transactions in Derivative Securities; and
- Pledging and margin transactions

The ban on Prohibited Transactions seeks to focus directors, officers and employees on the long-term goals and prospects of the Company and to prevent them from being distracted by speculative trading in Company Securities or Derivative Securities. Also, the Company seeks to prevent such persons from limiting their investment risk in Company Securities.

The following is a brief description of each type of Prohibited Transaction:

- Short sales and “short sales against the box”: A short sale is generally a sale of a security that the seller does not own, with the plan to repurchase the security at a later time when the price is lower. A short-seller generally must borrow the security from its owner to deliver it to the purchaser. A “short sale against the box” is generally a short sale involving a security that the seller owns but does not deliver to the purchaser.

  A short seller of Company Securities or Derivative Securities can profit from the transaction only to the extent the price of the security decreases. Short sales may reduce a seller’s incentive to improve the Company’s performance. In addition, under the Securities Laws, it is unlawful for any of the Company’s directors or Section 16 officers to engage in short sales and certain “short sales against the box” of Company Securities or Derivative Securities.

  For these reasons, short sales and “short sales against the box” involving Company Securities and Derivative Securities by Company directors, officers and employees (and their Family Members and Controlled Entities) are prohibited.

- Hedging transactions: A hedging transaction with respect to a security is a transaction entered into for the purpose of reducing or eliminating the market price risk associated with the ownership of that security. A hedging transaction allows an investor to focus on short-term performance at the expense of long-term objectives.

  For example, if a person owns a Company Security, a hedging transaction can involve the purchase of a put option or the sale of a call option with respect to that security. Call options and put options allow the purchaser and the seller, in effect, to speculate in the price of the Company

Security and minimize the risk incurred if the price were to change. In this example, a call option is a Derivative Security that entitles the holder to purchase a Company Security at a specified price at any time before a future date. A put option is a Derivative Security that entitles the holder to sell a Company Security at a specified price at any time before a future date. Hedging transactions may include transactions involving combinations of call options and put options, sometimes described as “spreads” or “collars.”

Some additional examples of hedging transactions are:

- a current sale of the security for delivery in the future, either at a fixed price or at a price that can fluctuate;
- an agreement by the holder to exchange future investment results, such as dividends or market price changes, with respect to the security owned by such person for another fixed or variable investment return; or
- the deposit of securities owned in a so-called “exchange fund,” which also owns the securities deposited by a number of other participants, in exchange for an ownership interest in the fund, thereby diversifying the risk of the ownership of the securities.

Because hedging transactions can result in the misalignment between the ownership interest of the Company’s directors, officers and employees and those of the Company’s stockholders, no director, officer or employee (including Family Members or Controlled Entities) may engage in any of the transactions described above, in any purchase or sale of a Derivative Security, or in any other transaction of a similar nature (as determined by the Chief SEC Counsel, the General Counsel or the Chief Financial Officer) that has the effect of reducing or eliminating the investment risk associated with any Company Securities owned by such person.

To the extent they may be Derivative Securities, the granting, exercise, vesting and earning of awards issued under any of the Company’s equity compensation plans are not considered hedging transactions under this Policy; however, buying or selling any Derivative Security with respect to such securities is prohibited.

- Pledging and margin transactions: A pledge of Company Securities involves the offering of such securities to a lender as collateral for a loan. A margin of Company Securities involves the use of Company Securities in a margin account as collateral for an investment in securities.

  Any pledging or margining of Company Securities puts the shares of Company Securities at risk of sale if the loan is not repaid or if the value of securities subject to a pledge or held on margin decreases in value. For this reason, no director, officer or employee (including Family Members or Controlled Entities) may:

  - pledge Company Securities as collateral for a loan or other obligation (such as to cover overdrafts or shortfalls in another account);
  - use Company Securities as collateral in a margin account for a loan or for any other obligation in connection with the purchase of a security; or
  - engage in any other similar transaction that has the effect of using Company Securities as collateral or security for a loan or any other obligation.

  This prohibition applies whether the Company Securities have been acquired from the Company, in the open market or otherwise. However, this prohibition does not apply to any “cashless exercise” of a stock option issued under a Company equity compensation plan.

  Because the default terms of many brokerage agreements may permit shares held in brokerage accounts to be marginable or used to secure another obligation, brokers should be instructed that Company Securities held in any such account must not be subject to any pledge, security interest or margin. Further, Company Securities or Derivative Securities should not be held in an account that allows pledging of the securities in the account or the purchase of any securities on margin.

V. RELATED PRACTICES AND REQUIREMENTS

Personal Securities Trading and Preclearance Practice

The Personal Securities Trading and Preclearance Practice issued under this Policy contains provisions that govern the preclearance and trading of Company Securities. A violation of the Practice is considered a violation of the Policy. You should consult the Practice before engaging in any transaction involving Company Securities.

Stock Ownership Guidelines and Stock Retention Requirements

The Board of Directors has adopted the Executive Stock Ownership Guidelines and Executive Stock Retention Requirements for employees at specified levels and has adopted stock ownership requirements for members of the Board of Directors. Any preclearance request will consider compliance with these guidelines and requirements before approval. If you are covered by these guidelines or requirements, please consult with the Chief SEC Counsel or the relevant documentation for more information.

VI. NON-COMPLIANCE

The violation of any insider trading prohibition, including the purchase and sale of securities while aware of material non-public information or the disclosure of material non-public information to others who then trade in the Company's Securities, Derivative Securities or Other Securities, is prohibited by the Securities Laws. Insider trading violations are pursued vigorously by the SEC, U.S. Attorneys and state enforcement authorities as well as foreign authorities. Securities Laws may also impose liability on companies and other persons in positions of control if they fail to take reasonable steps to prevent insider trading by Company personnel. There are no minimum requirements on the size of the transaction that can trigger insider trading liability. Relatively small trades have in the past led to civil and criminal investigations, and lawsuits.

There are strict criminal and civil penalties under the U.S. securities laws for committing illegal insider trading:

- A criminal prosecution can result in a fine of up to $5 million and imprisonment for up to 20 years for each act.
- In a civil action brought by the SEC, a person who has been found to have engaged in insider trading, or of having communicated material non-public information to another person who engages in insider trading, can be held liable for a penalty up to three times the profit gained, or the loss avoided.
- The SEC has the authority to obtain a court order barring a director or officer who has engaged in insider trading from serving, either permanently or for a period of time, as a director or officer of any public company.

In addition, an individual's failure to comply with this Policy may subject the individual to Company-imposed sanctions, including but not limited to termination of employment or service for cause, whether or not the person's failure to comply results in a violation of law. A violation of law, or even an SEC investigation that does not result in a prosecution, can tarnish a company's or person's reputation and irreparably damage a career.

VII. STRATEGIC OBJECTIVES

This Policy addresses strategic objectives for compliance with applicable Securities Laws related to insider trading, and to protect the Company's reputation for integrity and ethical conduct.

VIII. MONITORING

The Chief SEC Counsel, together with the General Counsel and Chief Compliance Officer, should periodically review the efficacy of this Policy in addressing the strategic objectives described above.

IX. WAIVERS; MODIFICATIONS

Waivers or exceptions to this Policy may be made only be the written approval of the General Counsel, after consultation with the Chief SEC Counsel. The General Counsel shall maintain all documentation related to waivers or exceptions to this Policy in accordance with applicable document retention policies. The Company reserves the right to amend or rescind this Policy or any portion of it at any time and to adopt different or additional policies and practices at any time.

X. DEFINITIONS

The following definitions apply to this Policy:

- *The Company*: American Water Works Company, Inc. and each of its subsidiaries, either individually or collectively, as the context may require
- *Chief SEC Counsel*: The person having the title or serving in the role of the Chief SEC Counsel, or their designee, or, in the absence of the Chief SEC Counsel and designee, the General Counsel
- *Company Securities*: Equity securities (common stock) and debt securities (debentures, bonds and notes) of the Company
- *Controlled Entity*: any corporation, partnership, limited liability company, trust or other entity (whether for-profit or not-for-profit) that is influenced or controlled by any Covered Person, or any Family Member or another Controlled Entity of a Covered Person
- *Covered Persons*: all directors, officers, employees, consultants and independent contractors of the Company
- *Covered Transactions:* any acquisition, disposition or other transfer involving Company Securities, Derivative Securities or Other Securities, other than transactions specifically excepted by this Policy
- *Derivative Securities*: Contracts or instruments that derive value from the price of a Company Security
- *ESPP:* The Company and its Designated Subsidiaries 2017 Nonqualified Employee Stock Purchase Plan, as it may be amended from time to time, including any predecessor or successor plan.
- *Family Members* with respect to a Covered Person include any of the following:
    - A spouse, child (including a child away at college), stepchild, parent, stepparent, mother-in-law or father in-law, of such Covered Person
    - Any other relative or person who lives in the household of such Covered Person, other than a domestic employee or tenant
    - Any other person who does not live the household of such Covered Person but whose transactions in Company Securities, Derivative Securities or Other Securities may be directed by the Covered Person or over which the Covered Person has the power to influence or control (regardless of whether the Covered Person actually directs, influences or controls a transaction)
- *Other Securities*: Securities of an entity other than the Company
- *Prohibited Transactions*: transactions described in Section IV of this Policy
- *SEC*: the U.S. Securities and Exchange Commission
- *Securities Laws*: applicable U.S. Federal, state and foreign securities laws

XI. CONTACT INFORMATION

The Chief SEC Counsel acts as a resource with respect to questions regarding this Policy, and to interpret any of the provisions of this Policy with respect to specific facts and circumstances. Questions about this Policy or its application should be directed to the Chief SEC Counsel, or, in their absence, the Company's General Counsel or Chief Financial Officer.

POLICY DOCUMENT

Appendix – Summary of Policies & Practices Related to Insider Trading and Prohibited Transactions Policy

Policy	Related Practices
Insider Trading and Prohibited Transactions Policy	Personal Securities Trading and Preclearance Practice
	Executive Stock Ownership Guidelines and Stock Retention Requirements
Code of Ethics	

Exhibit 19.2

Personal Securities Trading and Preclearance Practice

Policy Number: PRA-LEG01/01

Effective Date: 04/26/2023

Applicability: American Water Works Company, Inc. and its subsidiaries

Executive Sponsor: Executive Vice President and General Counsel

Document Owner and Approver: Vice President, Chief SEC Counsel and Secretary

I. PURPOSE

This Practice has been adopted in connection with the Insider Trading and Prohibited Transactions Policy and sets forth requirements with respect to limitations on and the preclearance of transactions governed by that Policy.

Section VIII contains a list of definitions covering capitalized terms used in this Practice. Other capitalized terms not otherwise defined in this Practice have the meanings given to them in the Policy.

II. SUMMARY

This Practice:

- establishes the use of trading windows and preclearance procedures with respect to transactions in Company Securities by members of the Preclearance Group;
- establishes certain practices with respect to Rule 10b5-1 plans; and
- describes SEC reporting requirements for Affiliates in connection with transactions in Company Securities.

III. TRADING WINDOWS

A member of the Preclearance Group may engage in transactions in Company Securities only during an open trading window. Covered transactions under the Policy are subject to this Practice. The Company maintains trading and other restrictions on accounts containing Company Securities related to the Company's equity plans, and may take additional actions deemed necessary or desirable to enforce the Policy and this Practice.

Opening of a Trading Window

A trading window generally opens at 9:30 a.m. ET on the trading day immediately following the expiration of two full trading days after the public release of the Company's earnings with respect to a completed fiscal period. The Chief SEC Counsel or their designee issues an email to Affiliates and Restricted Individuals informing them of the expected date of the opening of the trading window and, as noted below, in any changes to that opening date. Below are examples of the operation of this general rule with respect to the opening of the trading window:

Example 1: The Company releases for the first time its fiscal year-end earnings at 4:45 p.m. ET on Tuesday, February 21, 2017 (after the close of that day's trading). The trading window will open on Friday, February 24, 2017, at 9:30 a.m. ET.

Example 2: The Company releases for the first time its fiscal quarter earnings at 6:30 a.m. ET on Wednesday, May 3, 2017 (before the open of that day's trading). The trading window will open on Friday, May 5, 2017, at 9:30 a.m. ET.

Closing of a Trading Window

Once opened, a trading window generally closes at 4:00 p.m. ET on the later of (1) the second trading day of the last month of the fiscal quarter in which the trading window is opened, or (2) the fourth trading day after the trading window's opening day, unless it is closed earlier or as otherwise determined by the Company's General Counsel or the Company's Chief Financial Officer. Stated another way, unless closed earlier, the trading window will generally remain open for a minimum of five trading days. The Chief SEC Counsel or their designee issues an email to Affiliates and Restricted Individuals informing them of the expected date of the closing of the trading window and, as noted below, in any changes to the closing date. Below are examples of the operation of this general rule with respect to the closing of the trading window:

Example 1: If a trading window opens on Friday, February 24, 2017, at 9:30 a.m. ET, and assuming the window is not closed earlier, the trading window will close on Thursday, March 2, 2017, at 4:00 p.m. ET. This is an example of a trading window that closes as described in clause (2) above.

Example 2: If a trading window opens on Friday, May 5, 2017, at 9:30 a.m. ET., and assuming the window is not closed earlier, the trading window will close on Friday, June 2, 2017, at 4:00 p.m. ET. This is an example of a trading window that closes as described in clause (1) above.

Changes to Window Period Opening and Closing Dates

The Company may delay the opening of a trading window, determine not to open a trading window, or shorten or extend the length of any open trading window, at any time, and from time to time, if the Company believes that effecting transactions in Company Securities by any or all of the members of the Preclearance Group would be inappropriate or impermissible due to material developments at the Company or other developments that could become material. Any such decision will be made by the General Counsel or the Chief Financial Officer, in consultation with the Chief SEC Counsel.

If the opening of a trading window is delayed, the trading window would still close as described under "Closing of a Trading Window" above, unless it is extended.

The Chief SEC Counsel or their designee notifies Affiliates and Restricted Individuals regarding changes in the trading window opening and closing dates. However, the reason for the change may not be disclosed and, if the reason is known by an Affiliate or Restricted Individual, that person must not disclose the reason to any other person, except for disclosures permitted under the Company's Code of Ethics with respect to confidential information for persons who have a legitimate business reason to know the information. A trading window may not be opened, may close early, or may be extended, as to any or all of the members of the Preclearance Group.

IV. PRECLEARANCE PROCEDURES

All members of the Preclearance Group must preclear their transactions in Company Securities at any time, even during an open trading window. Preclearance means that, before the transaction may be effected, the transaction must be reviewed and approved by the Chief SEC Counsel, or in the absence of the Chief SEC Counsel, the General Counsel or Chief Financial Officer.

A request for preclearance should be submitted in writing by the Affiliate or Restricted Individual to the Chief SEC Counsel or their designee, or in the absence of the Chief SEC Counsel, to the General Counsel or Chief Financial Officer. Affiliates and Restricted Individuals will receive a notice that preclearance forms may be submitted, along with the proper preclearance form. A member of the Preclearance Group may not proceed with a transaction until notice of approval is received in writing (including by an email from the Company's stock plan administrator). Any such approval will be valid only until the closing of the trading window, unless notice is given otherwise.

A transaction may be disapproved for many reasons. If the transaction has been disapproved, the circumstances of that decision may be disclosed to the person requesting preclearance. Unless the requester has been permitted to do so, the requester may not discuss the reasons for disapproval with anyone else.

V. DESIGNATED RESTRICTED INDIVIDUALS

From time to time, the Company may determine to limit the ability of persons who are not Restricted Individuals, or to further limit the ability of Restricted Individuals, to engage in transactions in American Water securities. In each case, such persons will be referred to hereunder as "Designated Restricted Individuals," and such persons will be prohibited or restricted, in whole or in part, and on a temporary or permanent basis, from engaging in transactions in Company Securities, depending on the specific circumstances.

Example 1: Individuals who are not Restricted Individuals may receive non-public information about the Company's financial results on a conference call and are told that they cannot engage in transactions in Company Securities until two full trading days have elapsed after the information is disclosed publicly. Such persons shall be considered Designated Restricted Individuals for purposes of this Practice.

Example 2: Individuals, some of whom are Restricted Individuals, working on a significant pending acquisition may be instructed that they cannot engage in any transactions in Company Securities, including during any open window period, until further notice. Such Persons shall be considered Designated Restricted Individuals for purpose of this Practice.

To the extent that instructions are given to a person who is already a Restricted Individual, and the Restricted Person is told to restrict transactions in Company Securities beyond the restrictions contained in this Practice, the Designated Restricted Individual must comply with those stricter restrictions until further notice, even if they would have otherwise been permitted to effect a transaction under this Practice.

VI. REPORTING OF TRANSACTIONS BY AFFILIATES

Affiliates must file certain reports with the SEC and New York Stock Exchange disclosing their beneficial holdings of Company Securities and any changes in those holdings. The Chief SEC Counsel and their designee will provide reasonable assistance to Affiliates who are employees of the Company or members of the Board of Directors to help them complete those filings. **However, in any event, the responsibility for complying with the Securities Laws with respect to transactions in Company Securities rests solely with the Affiliate**.

Rule 144

An Affiliate engaging in open-market sales of Company Securities must comply with Rule 144 of the Securities Act of 1933, including any obligation to file a Form 144. A Form 144 is required when a sale exceeds a specified number of shares or dollar amount of securities. The Affiliate should inform the broker handling the sale of Company Securities that a Rule 144 sale is being made and that a Form 144 should be filed with the SEC and New York Stock Exchange when the order to sell is placed. If necessary, the Chief SEC Counsel or their designee can provide reasonable assistance to Affiliates who are employees of the Company or members of the Board of Directors and their brokers with respect to this filing.

Section 16

If you are an Affiliate and you effect any transaction in Company Securities, including pursuant to a Rule 10b5-1 Plan, you (or, in the case of the Rule 10b5-1 plan transaction, the broker administering the plan) must immediately report the transaction to the Chief SEC Counsel or their designee, or in the absence of the Chief SEC Counsel, the General Counsel or Chief Financial Officer. You will be required to complete and file forms with the SEC and the New York Stock Exchange under Section 16 of the Securities Exchange Act of 1934 to report these transactions, generally within two business days after the date of the

transaction. The Chief SEC Counsel and their designee will provide reasonable assistance to any Affiliate who is an employee of the Company or a member of the Board of Directors with respect to the obligation to file these forms.

VII. RULE 10B5-1 TRADING PLANS

The Policy describes Rule 10b5-1 trading plans and the requirements for implementing such a plan, or amending or terminating an existing Rule 10b5-1 plan. With respect to persons who are not Affiliates, a copy of the Rule 10b5-1 plan or any amendment thereof must be provided to the Chief SEC Counsel for review and approval at least ten business days prior to entry into such plan or amendment. Affiliates must generally provide greater advance notice to permit review of the Affiliate's Rule 10b5-1 plan and approval as required under the Policy. You may enter into, amend or terminate a Rule 10b5-1 plan only at a time when you are not aware of material non-public information, and if you are a Preclearance Group member, only during an open trading window. Transactions effected pursuant to an approved Rule 10b5-1 plan will not require further preclearance at the time of the transaction.

The Rule 10b5-1 plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Once a Rule 10b5-1 plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded, or the date of the trade.

VIII. DEFINITIONS

The following capitalized terms used in this Practice have the meanings set forth below:

- Affiliates – (1) Any director of American Water, and (2) any person who has been designated by the Board of Directors of American Water as an executive officer of American Water for purposes of the U.S. Securities Laws.
- American Water or the Company – American Water Works Company, Inc., not including its subsidiaries.
- Designated Restricted Individuals – Any person who the Chief Executive Officer, the Chief Financial Officer, the General Counsel, or the Chief SEC Counsel may determine to be a Restricted Individual, either on a temporary or permanent basis, and under such conditions or restrictions from engaging in transactions in Company Securities that are to be determined by such person to be warranted based on the circumstances.
- Preclearance Group – The Preclearance Group is comprised of:
    - Affiliates;
    - Restricted Individuals; and
    - Family Members and Controlled Entities of any of the foregoing persons.
- Restricted Individuals – Employees of the Company or any of its subsidiaries, other than Affiliates, who, in the normal course of their duties, have regular access to material non-public information about the Company, and each of whom has been notified by the Chief SEC Counsel or their designee that the employee is a "Restricted Individual." A determination as to whether, and for how long, a former Affiliate or employee may continue to remain subject to the Policy and this Practice is to be made by the Chief SEC Counsel, after consultation with the General Counsel and/or the Chief Financial Officer.

IX. WAIVERS; MODIFICATIONS

Exceptions to this Practice may be made only by the written approval of the General Counsel, after consultation with the Chief SEC Counsel. The Company reserves the right to amend or rescind this Practice or any portion of it at any time and to adopt additional or different practices, policies and procedures at any time.

X. NON-COMPLIANCE

Any Covered Person who violates or circumvents this Practice may be subject to disciplinary action, up to and including termination of employment or service. Additionally, any Covered Person or member of the Preclearance Group who purchases or sells Company Securities based on material non-public information regarding the Company may be criminally liable under provisions of Securities Laws prohibiting insider trading. Civil and other penalties are also recoverable in private lawsuits or by the SEC against Covered Persons or Preclearance Group members who engage in and profit from short swing trades.

XI. QUESTIONS

If you have any questions about this Practice, contact the Chief SEC Counsel or their designee.

POLICY DOCUMENT

Appendix – Summary of Policies & Practices Related to Personal Securities Trading and Preclearance Practice

Practice	Related Practices
Personal Securities Trading and Preclearance Practice	Insider Trading and Prohibited Transactions Policy
	Code of Ethics

American Water Works Company, Inc.'s Subsidiaries

As of February 19, 2025

Entity Name	Entity Type	Jurisdiction of Organization
American Lake Water Company	Corporation	Illinois
American Water (USA), LLC	Limited Liability Company	Delaware
American Water Canada Corp.	Corporation	Ontario
American Water Capital Corp.	Corporation	Delaware
American Water Enterprises Holding, LLC	Limited Liability Company	Delaware
American Water Enterprises, LLC	Limited Liability Company	Delaware
American Water Defense Services, LLC	Limited Liability Company	Delaware
American Water Federal Services, LLC	Limited Liability Company	Delaware
American Water Military Services, LLC	Limited Liability Company	Delaware
American Water Operations and Maintenance, LLC	Limited Liability Company	Texas
American Water Real Property Holdings LLC	Limited Liability Company	Delaware
American Water Services CDM, Inc.	Corporation	Washington
American Water Works Service Company, Inc.	Corporation	Delaware
AUI Acquisition Company, LLC	Limited Liability Company	Pennsylvania
AWC Acquisition Company, LLC	Limited Liability Company	Pennsylvania
AW Insurance LLC	Series Limited Liability Company	Delaware
AWIP Holdings LLC	Limited Liability Company	Delaware
AW Technologies, LLC	Limited Liability Company	Delaware
Bluefield Valley Water Works Company	Corporation	Virginia
California-American Water Company	Corporation	California
Edison Water Company	Corporation	New Jersey
Environmental Management, LLC	Limited Liability Company	Missouri
E'town Services L.L.C.	Limited Liability Company	New Jersey
Hawaii-American Water Company	Corporation	Nevada
Illinois-American Water Company	Corporation	Illinois
Indiana-American Water Company, Inc.	Corporation	Indiana
Iowa-American Water Company	Corporation	Delaware
Kentucky-American Water Company	Corporation	Kentucky
Laurel Oak Properties Corporation	Corporation	Delaware
Liberty Water Company	Corporation	New Jersey
Maryland-American Water Company	Corporation	Maryland
Missouri-American Water Company	Corporation	Missouri
New Jersey-American Water Company, Inc.	Corporation	New Jersey
One Water Street LLC	Limited Liability Company	New Jersey
Pennsylvania-American Water Company	Corporation	Pennsylvania
Tennessee-American Water Company	Corporation	Tennessee
TWH LLC	Limited Liability Company	Delaware
Virginia-American Water Company	Corporation	Virginia
West Virginia-American Water Company	Corporation	West Virginia

Exhibit 22.1

AMERICAN WATER WORKS COMPANY, INC.

List of Securities Registered Under the Securities Act of 1933 (the "Securities Act") and Entitled to the Benefit of the Support Agreement between American Water Capital Corp. ("AWCC") and American Water Works Company, Inc. ("parent company")

The following securities have been issued by AWCC and registered under the Securities Act, and have the benefit of that certain Support Agreement, as amended, by and between AWCC and parent company, which serves as the functional equivalent of a full and unconditional guarantee by parent company of the payment obligations of AWCC thereunder:

3.400% Senior Notes due 2025
3.000% Senior Notes due 2026
2.950% Senior Notes due 2027
3.750% Senior Notes due 2028
3.450% Senior Notes due 2029
2.800% Senior Notes due 2030
2.300% Senior Notes due 2031
4.450% Senior Notes due 2032
5.150% Senior Notes due 2034
6.593% Senior Notes due 2037
4.300% Senior Notes due 2042
4.300% Senior Notes due 2045
4.000% Senior Notes due 2046
3.750% Senior Notes due 2047
4.200% Senior Notes due 2048
4.150% Senior Notes due 2049
3.450% Senior Notes due 2050
3.250% Senior Notes due 2051
5.450% Senior Notes due 2054

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-277166 and 333-263068) and Form S-8 (Nos. 333-235598, 333-219682, 333-217975, 333-168543 and 333-150381) of American Water Works Company, Inc. of our report dated February 19, 2025 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 19, 2025

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, M. Susan Hardwick, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2025

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, David M. Bowler, certify that:

1. I have reviewed this annual report on Form 10-K of American Water Works Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 19, 2025

By: /s/ DAVID M. BOWLER
David M. Bowler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, M. Susan Hardwick, Chief Executive Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ M. SUSAN HARDWICK
M. Susan Hardwick
Chief Executive Officer
(Principal Executive Officer)
February 19, 2025

Exhibit 32.2

AMERICAN WATER WORKS COMPANY, INC.

CERTIFICATION PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David M. Bowler, Executive Vice President and Chief Financial Officer of American Water Works Company, Inc. (the "Company"), hereby certify that, based on my knowledge:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ DAVID M. BOWLER

David M. Bowler
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
February 19, 2025

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number: 001-34028

AMERICAN WATER WORKS COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware	**51-0063696**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1 Water Street, Camden, NJ 08102-1658
(Address of principal executive offices) (Zip Code)

(856) 955-4001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, par value $0.01 per share	**AWK**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Common Stock, $0.01 par value—$24,527,200,000 as of June 30, 2023 (solely for purposes of calculating this aggregate market value, American Water has defined its affiliates to include (i) those persons who were, as of June 30, 2023, its executive officers, directors or known beneficial owners of more than 10% of its common stock, and (ii) such other persons who were deemed, as of June 30, 2023, to be controlled by, or under common control with, American Water or any such persons in clause (i) above).

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: Common Stock, $0.01 par value per share—194,755,320 shares as of February 6, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the American Water Works Company, Inc. definitive proxy statement for the 2024 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 2023 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

		Page
Forward-Looking Statements		1
	Part I	
Item 1.	Business	4
Item 1A.	Risk Factors	22
Item 1B.	Unresolved Staff Comments	37
Item 1C.	Cyber Security	37
Item 2.	Properties	39
Item 3.	Legal Proceedings	39
Item 4.	Mine Safety Disclosures	48
	Part II	
Item 5.	Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	49
Item 6.	[Reserved]	49
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	50
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	75
Item 8.	Financial Statements and Supplementary Data	77
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	138
Item 9A.	Controls and Procedures	138
Item 9B.	Other Information	139
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	139
	Part III	
Item 10.	Directors, Executive Officers and Corporate Governance	140
Item 11.	Executive Compensation	140
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	140
Item 13.	Certain Relationships and Related Transactions and Director Independence	140
Item 14.	Principal Accountant Fees and Services	140
	Part IV	
Item 15.	Exhibits and Financial Statement Schedules	141
Item 16.	Form 10-K Summary	141
Exhibit Index		141
Signatures		146

FORWARD-LOOKING STATEMENTS

Statements included in Item 1—Business, Item 1A—Risk Factors, and Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations, and in other sections of this Annual Report on Form 10-K, or incorporated by reference therein, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "likely," "uncertain," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "should," "will" and "could" or the negative of such terms or other variations or similar expressions. Forward-looking statements may relate to, among other things: the Company's future financial performance, liquidity and cash flows; the timing and amount of rate and revenue adjustments, including through general rate case filings, filings for infrastructure surcharges and other governmental agency authorizations and proceedings, and filings to address regulatory lag; the Company's ability to execute its current and long-term business, operational, capital expenditures and growth plans and strategies; the timing and outcome of pending or future acquisition activity, and the ability to achieve organic customer growth; the ability of the Company's California subsidiary to obtain adequate alternative water supplies in lieu of diversions from the Carmel River; the amount, allocation and timing of projected capital expenditures and related funding requirements; the Company's ability to repay or refinance debt; the future impacts of increased or increasing financing costs, inflation and interest rates; the Company's ability to finance current and projected operations, capital expenditure needs and growth initiatives by accessing the debt and equity capital markets and sources of short-term liquidity; the outcome and impact on the Company of governmental and regulatory investigations and proceedings and related potential fines, penalties and other sanctions; the ability to meet or exceed the Company's stated environmental and sustainability goals, including its greenhouse gas ("GHG") emission reduction, water delivery efficiency and water system resiliency goals; the ability to complete, and the timing and efficacy of, the design, development, implementation and improvement of technology and other strategic initiatives; the Company's ability to comply with new and changing environmental regulations; the ability to capitalize on existing or future utility privatization opportunities; trends in the water and wastewater industries in which the Company operates, including macro trends with respect to the Company's efforts related to customer, technology and work execution; regulatory, legislative, tax policy or legal developments; and impacts that future significant tax legislation may have on the Company and on its business, results of operations, cash flows and liquidity.

Forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results, levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. These forward-looking statements are subject to a number of estimates, assumptions, known and unknown risks, uncertainties and other factors. The Company's actual results may vary materially from those discussed in the forward-looking statements included herein as a result of the factors discussed under Item 1A—Risk Factors, and the following important factors:

- the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates;
- the timeliness and outcome of regulatory commissions' and other authorities' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting, water supply and management, and other decisions;
- changes in customer demand for, and patterns of use of, water and energy, such as may result from conservation efforts, or otherwise;
- limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof, resulting from allocation rights, governmental or regulatory requirements and restrictions, drought, overuse or other factors;
- a loss of one or more large industrial or commercial customers due to adverse economic conditions, or other factors;
- present and future proposed changes in laws, governmental regulations and policies, including with respect to the environment (such as, for example, potential improvements to existing Federal regulations with respect to lead and copper service lines and galvanized steel pipe), health and safety, data and consumer privacy, security and protection, water quality and water quality accountability, contaminants of emerging concern (including without limitation per- and polyfluoroalkyl substances ("PFAS")), public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections and changes in federal, state and local executive administrations;
- the Company's ability to collect, distribute, use, secure and store consumer data in compliance with current or future governmental laws, regulations and policies with respect to data and consumer privacy, security and protection;
- weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, pandemics (including COVID-19) and epidemics, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares;

- the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions;
- the risks associated with the Company's aging infrastructure, and its ability to appropriately improve the resiliency of or maintain, update, redesign and/or replace, current or future infrastructure and systems, including its technology and other assets, and manage the expansion of its businesses;
- exposure or infiltration of the Company's technology and critical infrastructure systems, including the disclosure of sensitive, personal or confidential information contained therein, through physical or cyber attacks or other means, and impacts from required or voluntary public and other disclosures related thereto;
- the Company's ability to obtain permits and other approvals for projects and construction, update, redesign and/or replacement of various water and wastewater facilities;
- changes in the Company's capital requirements;
- the Company's ability to control operating expenses and to achieve operating efficiencies, and the Company's ability to create, maintain and promote initiatives and programs that support the affordability of the Company's regulated utility services;
- the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or the water provided to its customers;
- the Company's ability to obtain and have delivered adequate and cost-effective supplies of pipe, equipment (including personal protective equipment), chemicals, power and other fuel, water and other raw materials, and to address or mitigate supply chain constraints that may result in delays or shortages in, as well as increased costs of, supplies, products and materials that are critical to or used in the Company's business operations;
- the Company's ability to successfully meet its operational growth projections, either individually or in the aggregate, and capitalize on growth opportunities, including, among other things, with respect to:
    - acquiring, closing and successfully integrating regulated operations;
    - the Company's Military Services Group ("MSG") entering into new military installation contracts, price redeterminations, and other agreements and contracts, with the U.S. government; and
    - realizing anticipated benefits and synergies from new acquisitions;
- risks and uncertainties following the completion of the sale of the Company's Homeowner Services Group ("HOS"), including:
    - the Company's ability to receive amounts due, payable and owing to the Company under the amended secured seller note when due; and
    - the ability of the Company to redeploy successfully and timely the net proceeds of this transaction into the Company's Regulated Businesses;
- risks and uncertainties associated with contracting with the U.S. government, including ongoing compliance with applicable government procurement and security regulations;
- cost overruns relating to improvements in or the expansion of the Company's operations;
- the Company's ability to successfully develop and implement new technologies and to protect related intellectual property;
- the Company's ability to maintain safe work sites;
- the Company's exposure to liabilities related to environmental laws and regulations, including those enacted or adopted and under consideration, and the substances related thereto, including without limitation lead and galvanized steel, PFAS and other contaminants of emerging concern, and similar matters resulting from, among other things, water and wastewater service provided to customers;
- the ability of energy providers, state governments and other third parties to achieve or fulfill their GHG emission reduction goals, including without limitation through stated renewable portfolio standards and carbon transition plans;
- changes in general economic, political, business and financial market conditions;
- access to sufficient debt and/or equity capital on satisfactory terms and as needed to support operations and capital expenditures;
- fluctuations in inflation or interest rates, and the Company's ability to address or mitigate the impacts thereof;

- the ability to comply with affirmative or negative covenants in the current or future indebtedness of the Company or any of its subsidiaries, or the issuance of new or modified credit ratings or outlooks by credit rating agencies with respect to the Company or any of its subsidiaries (or any current or future indebtedness thereof), which could increase financing costs or funding requirements and affect the Company's or its subsidiaries' ability to issue, repay or redeem debt, pay dividends or make distributions;
- fluctuations in the value of, or assumptions and estimates related to, its benefit plan assets and liabilities, including with respect to its pension and other post-retirement benefit plans, that could increase expenses and plan funding requirements;
- changes in federal or state general, income and other tax laws, including (i) future significant tax legislation or regulations (including without limitation impacts related to the Corporate Alternative Minimum Tax), and (ii) the availability of, or the Company's compliance with, the terms of applicable tax credits and tax abatement programs;
- migration of customers into or out of the Company's service territories and changes in water and energy consumption resulting therefrom;
- the use by municipalities of the power of eminent domain or other authority to condemn the systems of one or more of the Company's utility subsidiaries, including without limitation litigation and other proceedings with respect to the water system assets of the Company's California subsidiary ("Cal Am") located in Monterey, California (the "Monterey system assets"), or the assertion by private landowners of similar rights against such utility subsidiaries;
- any difficulty or inability to obtain insurance for the Company, its inability to obtain insurance at acceptable rates and on acceptable terms and conditions, or its inability to obtain reimbursement under existing or future insurance programs and coverages for any losses sustained;
- the incurrence of impairment charges, changes in fair value and other adjustments related to the Company's goodwill or the value of its other assets;
- labor actions, including work stoppages and strikes;
- the Company's ability to retain and attract highly qualified and skilled employees and/or diverse talent;
- civil disturbances or unrest, or terrorist threats or acts, or public apprehension about future disturbances, unrest, or terrorist threats or acts; and
- the impact of new, and changes to existing, accounting standards.

These forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors included in Item 1A—Risk Factors and other statements contained in this Annual Report on Form 10-K, and readers should refer to such risks, uncertainties and risk factors in evaluating such forward-looking statements. Any forward-looking statements the Company makes shall speak only as of the date this Annual Report on Form 10-K was filed with the U.S. Securities and Exchange Commission ("SEC"). Except as required by the federal securities laws, the Company does not have any obligation, and it specifically disclaims any undertaking or intention, to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

PART I

ITEM 1. BUSINESS

The Company

With a history dating back to 1886, American Water is the largest and most geographically diverse, publicly-traded water and wastewater utility company in the United States, as measured by both operating revenues and population served. A holding company originally incorporated in Delaware in 1936, the Company employs approximately 6,500 professionals who provide drinking water, wastewater and other related services to over 14 million people in 24 states. The Company conducts the majority of its business through regulated utilities that provide water and wastewater services, collectively presented as one reportable segment, referred to as the "Regulated Businesses." The Company also operates other businesses that provide water and wastewater services to the U.S. government on military installations, as well as municipalities. Individually, these other businesses do not meet the criteria of a reportable segment in accordance with generally accepted accounting principles in the United States ("GAAP"), and are collectively presented throughout this Annual Report on Form 10-K within "Other," which is consistent with how management assesses the results of these businesses.

Throughout this Annual Report on Form 10-K, unless the context otherwise requires, references to "we," "us," "our," the "Company," and "American Water" mean American Water Works Company, Inc. and its subsidiaries, taken together as a whole. References to "parent company" mean American Water Works Company, Inc., without its subsidiaries.

Regulated Businesses

The Company's primary business involves the ownership of utilities that provide water and wastewater services to residential, commercial, industrial, public authority, fire service and sale for resale customers. The Company's utilities operate in approximately 1,700 communities in 14 states in the United States, with 3.5 million active customers in its water and wastewater networks. Services provided by the Company's utilities are subject to regulation by multiple state utility commissions or other entities engaged in utility regulation, collectively referred to as public utility commissions ("PUCs"). Federal, state and local governments also regulate environmental, health and safety, and water quality and water accountability matters. The Company reports the results of the services provided by its utilities in the Regulated Businesses segment. Operating revenues for the Regulated Businesses were $3,920 million for 2023, $3,505 million for 2022 and $3,384 million for 2021, accounting for 93%, 92% and 86%, respectively, of the Company's total operating revenues for the same periods.

Presented in the table below is a geographic summary of the Regulated Businesses' operating revenues and the number of customers the Company serves, by type of service, for and as of the year ended December 31, 2023:

	Operating Revenues (in millions)				Number of Customers (in thousands)			
	Water (a)	Wastewater	Total	% of Total	Water	Wastewater	Total	% of Total
Pennsylvania	$ 810	$ 155	$ 965	24.6 %	683	98	781	22.4 %
New Jersey	908	57	965	24.6 %	668	64	732	21.0 %
Missouri	430	20	450	11.5 %	483	24	507	14.5 %
Illinois	366	61	427	10.9 %	299	72	371	10.6 %
California	300	4	304	7.8 %	190	3	193	5.5 %
Total—Top Five States (b)	2,814	297	3,111	79.4 %	2,323	261	2,584	74.1 %
Other (c)	779	30	809	20.6 %	865	37	902	25.9 %
Total Regulated Businesses	$ 3,593	$ 327	$ 3,920	100.0 %	3,188	298	3,486	100.0 %

(a) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

(b) The Company's "Top Five States" are determined based upon operating revenues.

(c) Includes the Company's utility operations in the following states: Georgia, Hawaii, Indiana, Iowa, Kentucky, Maryland, Tennessee, Virginia and West Virginia and other revenue attributable collectively to the Regulated Businesses.

Customers

The Company's Regulated Businesses have a large and geographically diverse customer base. A customer is defined as a person, business, municipality or any other entity that purchases the Company's water or wastewater services as of the last business day of a reporting period. One single customer may purchase the Company's services for use by multiple individuals or businesses. Examples of these customers are homes, apartment complexes, businesses and governmental entities.

The vast majority of the Company's regulated water customers are metered, which allows the Company to measure and bill for its customers' water usage, typically on a monthly basis. The Company employs a variety of methods of customer meter reading to monitor consumption. These methods range from meters with mechanical registers where consumption is manually recorded by meter readers, to meters with electronic registers capable of transmitting consumption data to proximity devices or via radio frequency to mobile or fixed network data collectors. The Company's wastewater customers are billed either a flat rate or based upon their water consumption.

Residential customers make up a substantial portion of the Company's customer base in all of the states in which it operates. The Company also serves (i) commercial customers, such as food and beverage providers, commercial property developers and proprietors, and energy suppliers, (ii) fire service customers, where the Company supplies water through its distribution systems to public fire hydrants for firefighting purposes and to private fire customers for use in fire suppression systems in office buildings and other facilities, (iii) industrial customers, such as large-scale manufacturers, mining and production operations, (iv) public authorities, such as government buildings and other public sector facilities, including schools and universities, and (v) other utilities and community water and wastewater systems in the form of bulk contracts for the supply of water or the treatment of wastewater for their own customers.

Presented in the table below is a breakout of the Company's Regulated Businesses' operating revenue by class of customer, for the years ended December 31, 2023, 2022 and 2021:

	2023		2022		2021	
(In millions)	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue	Revenue	Percentage of Revenue
Water services:						
Residential	$ 2,143	55 %	$ 1,941	55 %	$ 1,935	57 %
Commercial	798	20 %	710	20 %	676	20 %
Fire service	158	4 %	147	4 %	151	5 %
Industrial	167	4 %	153	4 %	141	4 %
Public and other water (a)	284	7 %	267	8 %	239	7 %
Wastewater	327	8 %	242	7 %	208	6 %
Other (b)	43	2 %	45	2 %	34	1 %
Total	$ 3,920	100 %	$ 3,505	100 %	$ 3,384	100 %

(a) Includes water revenues from public authorities and other utilities, community water systems under bulk contracts and alternative revenue programs.

(b) Includes other operating revenues consisting primarily of miscellaneous utility charges, fees and rents.

Presented in the table below is the number of water and wastewater customers the Company's Regulated Businesses' served by class of customer as of December 31, 2023, 2022 and 2021, which represents approximately 14 million people served as of December 31, 2023:

	2023		2022		2021	
(In thousands)	Water	Wastewater	Water	Wastewater	Water	Wastewater
Residential	2,893	279	2,870	270	2,972	245
Commercial	221	18	219	17	225	15
Fire service	4	—	51	—	52	—
Industrial	52	—	4	—	4	—
Public and other (a)	18	1	17	1	16	1
Total (b)	3,188	298	3,161	288	3,269	261

(a) Includes public authorities and other utilities and community water and wastewater systems under bulk contracts. Bulk contracts, which are accounted for as a single customer in the table above, generally result in service to multiple customers.

(b) The Company completed the sale of its New York subsidiary on January 1, 2022 and the sale of its Michigan subsidiary on February 4, 2022.

Customer growth in the Company's Regulated Businesses is primarily from (i) adding new customers to its customer base through acquisitions of water and/or wastewater utility systems, (ii) population growth in its authorized service areas, and (iii) sale of water to other water utilities and community water systems.

Capital Investment

The Company plans to invest between $34 billion and $38 billion over the next 10 years for capital improvements, including acquisitions, to its Regulated Businesses' water and wastewater infrastructure, largely for pipe replacement and upgrading aging water and wastewater treatment facilities. The Company has proactively improved its pipe renewal rate from a 250-year replacement cycle in 2009 to an approximate 125-year replacement cycle by 2028, which it anticipates will enable the Company to replace nearly 2,000 miles of mains and collection pipes between 2024 and 2028. In addition, from 2024 to 2028, the Company's capital investment in treatment plants, storage tanks and other key, above-ground facilities is expected to increase, further seeking to address infrastructure renewal, resiliency, water quality, operational efficiency, technology and innovation, and emerging regulatory compliance needs. The Company continues to invest significantly in resiliency projects to address the impacts of climate and weather variability by hardening its assets.

Regulation and Rate Making

The operations of the Company's Regulated Businesses are generally subject to regulation by PUCs in the states in which they operate, with the primary responsibility of the PUCs being the promotion of the overall public interest by balancing the interest of customers and utility investors. Specific authority might differ from state to state, but in most states, PUCs review and approve rates charged to customers, accounting treatments, long-term financing programs and cost of capital, operation and maintenance ("O&M") expenses, capital expenditures, taxes, affiliated transactions and relationships, reorganizations, mergers and acquisitions, and dispositions, along with imposing certain penalties or granting certain incentives. Regulatory policies vary from state to state and can change over time. These policies will affect the timing, as well as the extent, of recovery of expenses and the realized return on invested capital.

Periodic changes in customer rates generally occur through the filing of a rate case by the utility with the PUC. The timing of rate case filings is typically determined by either periodic requirements in the regulatory jurisdiction or by the utility's need to increase its revenue requirement to recover capital investment costs, changes in operating revenues, operating costs or other market conditions. The Company attempts to minimize "regulatory lag," which is the time between the occurrence of an event that triggers a change in the utility's revenue requirement and the recognition in rates of that change.

The Company's Regulated Businesses support regulatory practices at the PUCs and state legislatures that mitigate the adverse impact of regulatory lag. Presented in the table below are examples of approved regulatory practices:

Regulatory Practices	Description	States Allowed
Infrastructure replacement surcharge mechanisms	Allows rates to change periodically, outside a general rate case proceeding, to reflect recovery of capital investments made to replace infrastructure necessary to sustain safe and reliable services for the Company's customers. These mechanisms typically involve periodic filings and reviews to ensure transparency.	IA, IL, IN, KY, MO, NJ, PA, TN, VA, WV
Future test year	A "test year" is a period used for setting rates, and a future test year describes the first 12 months that new rates are proposed to be effective. The use of a future test year allows current or projected revenues, expenses and capital investments to be collected on a more timely basis.	CA, HI, IA, IL, IN, KY, PA, TN, VA
Hybrid test year	A historical test year sets rates using data from a 12-month period that ends prior to a general rate case filing. A hybrid test year allows an update to historical data for "known and measurable" changes that occur subsequent to the historical test year.	MD, MO, NJ, WV
Utility plant recovery mechanisms	Allows recovery of the full return on utility plant costs during the construction period, instead of capitalizing an allowance for funds used during construction ("AFUDC"). In addition, some states allow the utility to seek pre-approval of certain capital projects and associated costs. In this pre-approval process, the PUC may assess the prudency of such projects.	CA, IL, KY, PA, TN, VA
Expense mechanisms	Allows changes in certain operating expenses, which may fluctuate based on conditions beyond the utility's control, to be recovered outside of a general rate case proceeding or deferred until the next general rate case proceeding.	CA, HI, IL, IN, MD, MO, NJ, PA, TN, VA
Revenue stability mechanisms	Adjusts rates periodically to ensure that a utility recovers the revenues authorized in its general rate case, regardless of sales volume, including recognition of declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently.	CA, IL
Consolidated tariffs	Use of a unified rate structure for water systems owned and operated by a single utility, which may or may not be physically interconnected. The consolidated tariff pricing structure may be used fully or partially in a state, and is generally used to moderate the price impact of periodic fluctuations in local costs, while lowering administrative costs for customers. Pennsylvania and West Virginia also permit a blending of water and wastewater revenue requirements.	CA, IA, IL, IN, KY, MD, MO, NJ, PA, VA, WV
Deferred accounting	A regulator's willingness to defer recognition of financial impacts when setting rates for utilities.	All

The Company pursues enhancements to these regulatory practices to facilitate efficient recovery of its costs and capital investments and to continue to provide safe, clean, reliable and affordable services to its customers. The ability to seek regulatory treatment using the regulatory practices described above does not guarantee that the PUCs will accept the Company's proposal in the context of a particular rate case, and these regulatory practices may reduce, but not eliminate, regulatory lag associated with traditional rate making processes. It is also the Company's strategy to expand the use of these mechanisms in areas where they may not currently apply and enhance certain mechanisms where they already exist.

Acquisitions and Strategic Growth

The U.S. water and wastewater industries include investor-owned systems as well as municipal systems that are owned and operated by local governments or governmental subdivisions. According to the most recent study by the U.S. Environmental Protection Agency ("EPA"), as of 2017, approximately 84% of the water market is served by municipal systems and approximately 98% of the country's wastewater systems are government owned. The EPA also estimates, as of 2017, that there are over 50,000 community water systems and over 15,000 community wastewater systems in the United States, with approximately 80% of the community water systems serving a population of 3,000 or less.

A fundamental aspect of the Company's growth strategy is to pursue acquisitions of water and/or wastewater systems in geographic proximity to areas where the Company operates its Regulated Businesses, see Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information. The proximity of acquisition opportunities to the Company's regulated footprint allows it to integrate and manage the acquired systems and operations primarily using the Company's existing management (although the Company typically retains the majority, if not all, of the employees of the acquired systems) and to achieve operational efficiencies and prioritize capital investment needs. The Company's current customer mix of 91% water and 9% wastewater also presents strategic opportunities for wastewater growth and consolidation, allowing the Company to add wastewater customers where it already serves water customers. The Company intends to continue to expand its regulated footprint geographically by acquiring water and wastewater systems in its existing markets and, if appropriate, pursuing acquisition opportunities in certain domestic markets where the Company does not currently operate its Regulated Businesses. Before entering new regulated markets, the Company will evaluate the business and regulatory climates to ensure that it will have the opportunity to achieve an appropriate rate of return on its investment while maintaining its high standards for providing safe, reliable and affordable services to its customers. The Company will also evaluate whether there is a line of sight to grow to sufficient scale in a new regulated market so that it can attain efficiencies and promote customer affordability after entering a new domestic market.

Increasingly stringent environmental, health and safety, cybersecurity and water quality and water accountability regulations, the amount of infrastructure in need of significant capital investment, financial challenges and industry legislation are several elements, among others, that may drive more municipalities to consider selling their water and wastewater assets.

Sale of New York American Water Company, Inc.

On January 1, 2022, the Company completed the previously disclosed sale of its regulated utility operations in New York to Liberty Utilities (Eastern Water Holdings) Corp. ("Liberty"), an indirect, wholly owned subsidiary of Algonquin Power & Utilities Corp. Liberty purchased from the Company all of the capital stock of the Company's New York subsidiary for a purchase price of $608 million in cash. The Company's regulated New York operations represented approximately 127,000 customers in the State of New York.

Industry Legislation

In 2020 and 2021, the United States Congress passed, and the President signed into law, legislation with water and wastewater provisions including the Infrastructure Investment and Jobs Act (the "IIJA"), the Consolidated Appropriations Act of 2021 and the American Rescue Plan of 2021. The legislation provided funding for a variety of initiatives to support water and wastewater infrastructure, lead service line replacement, treatment of PFAS and other contaminants of emerging concern, and low-income water assistance ("LIHWAP"). LIHWAP expired in 2023.

The Company's regulated subsidiaries in New Jersey, Indiana, and Missouri have versions of water quality or safety accountability acts which require operational or safety and security standards for water and wastewater utilities serving a certain number of customers. In New Jersey, the law imposes requirements in areas such as asset management, water quality reporting, remediation of notices of violation, hydrant and valve maintenance and cybersecurity. In Indiana, the law requires water and wastewater utilities to conduct rate analyses, develop capital asset management plans and conduct cybersecurity and water loss audits. In Missouri, the act requires water and wastewater utilities to create cybersecurity, valve inspection and hydrant inspection programs.

The Company's regulated subsidiaries in California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Tennessee, Virginia and West Virginia have access to utility valuation legislation and regulation for private sector investment in public sector water and wastewater systems. The Company supports full optionality for municipalities, including state legislation that enables the consolidation of the largely fragmented water and wastewater industries through third-party fair market valuations of purchased property. Fair market value assessment of water and wastewater systems is an alternative to the traditional depreciated original cost method of valuation, which allows the Company to offer municipalities a purchase price for their system assets that is reflective of the assets' fair market value, while providing the Company with increased opportunity to recover the purchase price over the life of the purchased system assets, subject to PUC approval. In 2021, the Tennessee Public Utility Commission implemented acquisition valuation rules that include a methodology to value water and wastewater assets based upon the new replacement cost of the assets less the depreciation, in addition to other valuation methodology options.

Consolidated tariffs use a unified rate structure for systems owned and operated by a single utility, which may or may not be physically interconnected. Consolidated tariff pricing moderates the impact of periodic fluctuations in local costs and promotes a more universal water infrastructure investment in a jurisdiction. As a result, consolidated tariffs can make it easier to incorporate new systems into an existing utility, support economies of scale for even the smallest of systems and prioritize capital needs across the jurisdiction. Overall, the Company believes that consolidated tariffs bring cost-effective, high-quality services to a larger number of customers. Eleven of the Company's regulated jurisdictions currently have some form of consolidated tariff pricing, including California, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, New Jersey, Pennsylvania, Virginia and West Virginia.

Competition

The Company's Regulated Businesses generally do not face direct competition in their existing markets because (i) the Company operates in those markets pursuant to franchises, charters, certificates of public convenience and necessity or similar authorizations (collectively, "CPCNs") issued by state PUCs or other authorities, and (ii) the high cost of constructing a new water and wastewater system in an existing market creates a significant barrier to market entry. However, the Company's Regulated Businesses do face increasing competition from governmental agencies, other investor-owned utilities, large industrial customers with the ability to provide their own water supply/treatment process and strategic buyers that are entering new markets and/or making strategic acquisitions. When pursuing acquisitions, the Company's largest investor-owned competitors, based on a comparison of operating revenues and population served, include Essential Utilities, Inc., American States Water Company and California Water Service Group. From time to time, the Company also faces competition from infrastructure funds, multi-utility companies and others, such as Algonquin Power and Utilities Corp., Eversource Energy, SouthWest Water Company and Corix Infrastructure, Inc.

Condemnation and Eminent Domain

All or portions of the Regulated Businesses' utility assets could be acquired by state, municipal or other government entities through one or more of the following methods: (i) eminent domain (also known as condemnation); (ii) the right of purchase given or reserved by a municipality or political subdivision when the original CPCN was granted; and (iii) the right of purchase given or reserved under the law of the state in which the utility subsidiary was incorporated or from which it received its CPCN. The acquisition consideration related to such a proceeding initiated by a local government may be determined consistent with applicable eminent domain law, or may be negotiated or fixed by appraisers as prescribed by the law of the state or the jurisdiction of the particular CPCN.

As such, the Regulated Businesses are periodically subject to condemnation proceedings in the ordinary course of business. For example, the Monterey water service system assets (the "Monterey system assets") of the Company's California subsidiary ("Cal Am") are the subject of a potential condemnation action by the Monterey Peninsula Water Management District (the "MPWMD") stemming from a November 2018 public ballot initiative. For more information on this matter, see Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation.

Furthermore, the law in certain jurisdictions in which the Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if a public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, for example, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has allowed certain costs or losses incurred by the utility to be recovered from customers in rates, but in other cases such recovery in rates has been disallowed. Also, the utility may have obtained insurance that could respond to some or all of such losses, although the utility would be at risk for any losses not ultimately subject to rate or insurance recovery or losses that exceed the limits of such insurance.

Water Supply and Wastewater Services

The Company's Regulated Businesses generally own the physical assets used to store, pump, treat and deliver water to its customers and collect, treat, transport and recycle wastewater. Typically, the Company does not own the water, which is held in public trust and is allocated to the Company through contracts, permits and allocation rights granted by federal and state or multi-state agencies or through the ownership of water rights pursuant to local law. The Company is dependent on defined sources of water supply and obtains its water supply from surface water sources such as reservoirs, lakes, rivers and streams; from groundwater sources, such as wells and aquifers; and water purchased from third-party water suppliers. The level of water treatment the Company applies varies significantly depending upon the quality of the water source and customer stipulations. Surface water sources typically require significant treatment, while groundwater sources often require chemical treatment only.

Presented in the table below are the percentages of water supply by source type for the Company's Top Five States individually and the Regulated Businesses collectively for the year ended December 31, 2023:

	Surface Water	Ground Water	Purchased Water
New Jersey	74%	20%	6%
Pennsylvania	91%	7%	2%
Missouri	84%	15%	1%
Illinois	55%	35%	10%
California	—%	67%	33%
Regulated Businesses	71%	22%	7%

The Company's ability to meet the existing and future water demands of its customers depends on an adequate water supply. Drought, governmental restrictions, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. The Company employs a variety of measures in an effort to obtain adequate sources of water supply, both in the short-term and over the long-term. The geographic diversity of the Company's service areas may mitigate some of the economic effects on the water supply associated with weather extremes the Company might encounter in any particular service territory. For example, in any given summer, some areas may experience drier than average weather, which may reduce the amount of source water available, while other areas the Company serves may experience wetter than average weather.

The Company evaluates quality, quantity, growth needs and alternate sources of water supply as well as transmission and distribution capacity to provide water service to its customers. Water supply is seasonal in nature and weather conditions can have a pronounced effect on supply. In order to ensure that the Company has adequate water supply, it uses long-term planning processes and maintains contingency plans to minimize the potential impact on service caused by climate variability and a wide range of weather fluctuations. The Company reviews current climate science and global models related to temperature, precipitation and sea level rise on an ongoing basis. Where actionable forecasts are available, the Company will use this information in its comprehensive planning studies and asset management plans. These studies and plans, which are used by the Company to develop its asset management and system reliability strategies, assess the climate risk and resiliency of the Company's water and wastewater systems over short-, medium- and long-term time horizons, and include evaluations of the availability of water supplies and system capacity against a number of different factors, projections and estimates.

In connection with supply planning for most surface or groundwater sources, the Company employs models to determine safe yields under different rainfall and drought conditions. Surface and ground water levels are routinely monitored so that supply capacity deficits may, to the extent possible, be predicted and mitigated through demand management and additional supply development. In California, where the state has recently experienced a multi-year drought, the Company utilizes multiple water supply options including numerous ground water wells in multiple aquifers as well as various long-term purchase water agreements with regional water suppliers to optimize supplies while assuring resiliency during dry years. An example of the Company's use of long-term planning to ensure that it has adequate water supply is its involvement in the Monterey Peninsula Water Supply Project (the "Water Supply Project") in California. The Water Supply Project includes the construction of a desalination plant, to be owned by Cal Am, and the construction of wells that would supply water to the desalination plant. In addition, the Water Supply Project also includes Cal Am's purchase of water from a groundwater replenishment project (the "GWR Project") between Monterey One Water (formerly known as the Monterey Regional Water Pollution Control Agency) and the MPWMD. The Water Supply Project is intended, among other things, to fulfill obligations of Cal Am to eliminate unauthorized diversions from the Carmel River as required under orders of the California State Water Resources Control Board (the "SWRCB"). For more information, see Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions and Note 16—Commitments and Contingencies—Contingencies—Alternative Water Supply in Lieu of Carmel River Diversions, in the Notes to the Consolidated Financial Statements.

Wastewater services involve the collection of wastewater from customers' premises through sewer lines. The wastewater is then transported through a sewer network to a treatment facility, where it is treated to meet required regulatory standards for wastewater before being returned to the environment. The solid waste by-product of the treatment process is disposed of or recycled in accordance with applicable standards and regulations.

Seasonality

Customer demand for the Company's water service is affected by weather and tends to vary with temperature and amount and frequency of rainfall. Customer demand is generally greater during the warmer months, primarily due to increased water usage for irrigation systems and other outdoor water use. As such, the Company typically expects its operating revenues to be the highest in the third quarter of each year. Weather that is warmer and/or drier than average generally increases operating revenues, whereas, weather that is cooler and/or wetter than average generally suppresses customer water demand and can reduce water operating revenues. Two of the Company's jurisdictions, California and Illinois, have adopted revenue stability mechanisms which permit the Company to collect state PUC-authorized revenue for a given period that is not tied to the volume of water sold during that period, thereby lessening the impact of weather variability. See —Regulation and Rate Making for additional information regarding revenue stability mechanisms.

Affordability

The Company supports the United Nations' declaration of access to clean water and sanitation as a human right, regardless of economic status. As a water utility, the Company's water must be safe, efficient, reliable, accessible and affordable. Through increased efficiency, conservation and low-income support programs, on average across the enterprise, the Company consistently achieves water costs that are significantly below the EPA's suggested guidance of 2% of household income. Succeeding in water affordability positively affects the health and safety of the Company's customers and contributes to the economic prosperity of the communities in which it operates.

The Company's approach to water access and affordability consists of two key strategies. The first is to supply water that is safe, reliable and meets the needs of its customers. The second is to provide affordable water services to customers while protecting its customers' right to clean water, regardless of economic status or geographic location. The Company also focuses on addressing water affordability by maximizing both supply-side and demand-side efficiency. Average residential water bills for the Company's customers are approximately $55 to $65 per month, and the expected average annual rate increases across the Company's footprint over the next five years is 5% to 6%. The Company continues to advocate for federal and state customer affordability support and monitors the number of customers enrolled in its assistance programs to make sure that it is effectively responding to customer needs.

Other

Other primarily includes the MSG business, which enters into long-term contracts with the U.S. government to provide water and wastewater services on military installations. The Contract Services Group ("CSG"), also included in Other, has three contracts with municipal customers to operate and manage water and wastewater facilities and provide other related services. Other also includes corporate costs that are not allocated to the Company's Regulated Businesses, interest income related to the secured seller promissory note from the sale of HOS, income from assets not associated with the Regulated Businesses, eliminations of inter-segment transactions and fair value adjustments related to acquisitions that have not been allocated to the Regulated Businesses segment. The businesses included within Other are not subject to regulation by state PUCs and the services provided generally do not require significant capital investment. Operating revenues for Other were $314 million for 2023, $287 million for 2022 and $546 million for 2021, accounting for 7%, 8% and 14%, respectively, of the Company's total operating revenues for the same periods.

Military Services Group

MSG operates on 18 military installations under 50-year contracts with the U.S. government as part of its Utilities Privatization Program. The scope of these contracts generally includes the operation and maintenance of the installation's water and wastewater systems and a capital program focused on asset replacement and, in certain instances, systems expansion. The replacement of assets assumed when a contract is awarded to MSG is completed either through a discrete set of projects executed in the first five years of the contract or through the long-term recapitalization program performed over the life of the contract. Traditionally, both of these programs are funded from the contract fee. At times, new assets are required to support the installation's mission, and the construction of these assets is funded by the U.S. government as separate modifications or amendments to the contract. The capital for these assets historically has not been funded through the Company's debt or equity issuances; rather, the Company has used limited working capital for short-term needs under these contracts. The U.S. Army has a requirement that a bidder must offer financing in its proposal for these new capital projects under existing contracts, but the U.S. Army's implementation of this requirement on existing contracts has limited the need for such financing. However, recent U.S. Army and Navy Utilities Privatization solicitations have included requirements for the successful bidder to finance discrete initial capital projects over either a five- or ten-year period after project completion. Four of MSG's current contracts require such capital project financing, which the Company is currently addressing through internal sources of liquidity.

The contract price for four of MSG's contracts with the U.S. government is subject to redetermination two years after commencement of operations, and every three years thereafter. Price redetermination is a contract mechanism to periodically adjust the service fee in the next period, to reflect changes in contract obligations and anticipated market conditions. The remaining 14 contracts with the U.S. government are subject to annual price adjustments under a mechanism called "Economic Price Adjustment." All 18 contracts could be terminated, in whole or in part, prior to the end of the 50-year term for convenience of the U.S. government, or as a result of default or non-performance by the MSG subsidiary performing the contract. In either event, pursuant to termination provisions applicable to all of these contracts, MSG would be entitled to recover allowable costs that it may have incurred under the contract, plus the contract profit margin on incurred costs. MSG's backlog of revenue associated with its contracts with the U.S. government is approximately $7.1 billion, with an average remaining contract term of 39 years.

Sale of Homeowner Services Group

On December 9, 2021 (the "Closing Date"), the Company sold all of the equity interests of the HOS subsidiaries for total consideration of approximately $1.275 billion. Prior to the Closing Date, the Company provided various warranty protection programs and other home services primarily to residential and smaller commercial customers through its HOS operations. See Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 5—Acquisitions and Divestitures in the Notes to Consolidated Financial Statements for additional information.

Competition

MSG faces competition from a number of service providers, including American States Water Company and Veolia Environnement S.A.

Environmental, Health and Safety, Water Quality and Other Regulation

The Company's water and wastewater operations, including the services provided by its Regulated Businesses, MSG and CSG, are subject to extensive federal, state and local laws and regulations governing the protection of the environment, health and safety, the provision of water and wastewater services, particularly with respect to the quality of water the Company delivers to its customers, and the manner in which it collects, treats, discharges, recycles and disposes of wastewater. In the United States, these regulations are developed under federal legislation including the Safe Drinking Water Act, the Reduction of Lead in Drinking Water Act and the Clean Water Act, and under a variety of applicable state laws. Environmental, health and safety, and water quality regulations are complex and may vary from state to state in those instances where a state has adopted a standard that is more stringent than the federal standard. The Company is also subject to various federal, state, and local laws and regulations governing the storage of hazardous materials, the management and disposal of hazardous and solid wastes, discharges to air and water, the cleanup of contaminated sites, dam safety and other matters relating to the protection of the environment and health and safety. PUCs also set conditions and standards for the water and wastewater services the Company delivers.

The Company maintains an environmental program that includes responsible business practices focused on compliance with environmental laws and regulations and the effective use of natural resources, recognizing that drinking water standards have generally, over time, increased in number and become increasingly more stringent. As newer or stricter standards are introduced, the Company's capital and operating costs needed to comply with them will likely increase. The Company incurs substantial costs associated with compliance with the environmental, health and safety, and water quality standards to which its operations are subject and the Company invests in technology solutions for enhanced detection and monitoring of water quality issues. The Company estimates that it will make capital expenditures of approximately $900 million over the next five years, and $200 million in 2024, to address water quality issues; most of which are focused on compliance with environmental laws and regulations. The Company believes that its operations are materially in compliance with, and in many cases surpass, minimum standards required by applicable environmental laws and regulations.

The Company's operations also involve the use, storage and disposal of hazardous substances and wastes. For example, the Company's water and wastewater treatment facilities store and use gaseous chlorine as well as other chemicals that generate wastes that require proper handling and disposal under applicable environmental requirements. The Company also could incur remedial costs in connection with any contamination relating to its operations or facilities or its off-site disposal of waste. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA"), authorizes the EPA, and comparable state laws authorize state environmental authorities, to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions at any site that is determined to present an actual or potential threat to human health or the environment because of an actual or threatened release of one or more hazardous substances. Parties that generated or transported hazardous substances to such sites, as well as current and former owners and operators of such sites, may be deemed liable, without regard to fault, under CERCLA or comparable state laws. Although the Company is not aware of any material cleanup or decontamination obligations, the discovery of contamination or the imposition of such obligations in the future could result in additional costs to the Company. The Company's facilities and operations are also subject to requirements under the U.S. Occupational Safety and Health Act and inspections thereunder.

Safe Drinking Water Act

The Safe Drinking Water Act and related regulations establish national quality standards for drinking water. The EPA has issued rules governing the levels of numerous, naturally occurring and manufactured chemical and microbial contaminants and radionuclides allowable in drinking water, and continues to propose new rules. These rules also prescribe testing requirements for detecting regulated contaminants, the treatment systems that may be used for removing those contaminants, and other requirements. To date, the EPA has set standards for over 90 contaminants and water quality indicators for drinking water, and there is a process in place to make a regulatory determination on at least five additional compounds every five years.

The process of developing new drinking water standards is long and complex, but the Company actively participates with the EPA and other water industry groups by sharing research and water quality operational knowledge. See Item 1—Business—Research and Development—Contaminants of Emerging Concern for additional information.

The Company is within the EPA's time frame for compliance with standards and rules developed under the regulation of the Safe Drinking Water Act, which includes sample collection, data analysis, and, in some instances engineering planning and implementation of treatment enhancements. Further, the EPA is actively considering development of a new regulation for perchlorate and updates to the current microbial and disinfection byproduct regulations. The Company does not anticipate that any such regulations, if enacted, will require implementation in 2024.

Although it is difficult to project the ultimate costs of complying with the above or other pending or future requirements, the Company expects current cost requirements under the Safe Drinking Water Act and other similar laws to be recoverable through the regulatory process and therefore compliance costs are not expected to have a material impact on its operations or financial condition. In addition, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from these pending or future requirements.

Lead and Copper Rule and Reduction of Lead in Drinking Water Act

In 1991, the EPA published the Lead and Copper Rule ("LCR") to control lead and copper in drinking water and, since that time, has issued minor revisions in 2000, 2004 and 2007, enhancing monitoring, reporting and public education requirements. In 2011, Congress enacted the Reduction of Lead in Drinking Water Act regarding the use and introduction into commerce of lead pipes, plumbing fittings for fixtures, solder and flux. While these advances have made an impact in reducing lead exposure in drinking water, legacy lead plumbing materials, primarily in building plumbing, still remain in many communities. The failure of certain water systems in the United States to comply with the requirements of the LCR has received recent media attention and scrutiny, and in certain cases, has led to a number of investigations and the imposition of significant penalties and sanctions against the operators of those systems and others. As part of its ongoing water main replacement and service line renewal projects, and in accordance with applicable state regulations and anticipation of updated federal regulation, the Company has been replacing lead service lines ("LSLs") for many years in accordance with current scientific guidance. Also, the Company utilizes appropriate corrosion control techniques as necessary to comply with current water quality regulatory requirements.

On December 21, 2021, the EPA announced next steps to strengthen the regulatory framework on lead in drinking water, including implementing the Lead and Copper Rule Revisions ("LCRR") and indicated an intent to finalize the Lead and Copper Rule Improvements ("LCRI") which were proposed on December 6, 2023, prior to October 16, 2024, the initial compliance date in the LCRR. The Company is executing an implementation strategy to comply with the initial LCRR requirement to complete a lead service line inventory. Capital expenditures and operating costs associated with the LCRI will be determined once the EPA finalizes the rule, but as previously noted, costs associated with compliance with federal water quality regulations have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. The Company has provided both oral and written comments to the EPA on the proposed LCRI. The Company believes that, if the LCRI rulemaking were to be implemented, the total investment cost to identify and replace lead and galvanized steel service lines in the United States by 2037 would be significant and has been underestimated by the EPA in the LCRI rulemaking. Finally, the Company supports a delay of the compliance date for those portions of the LCRR proposed to be extended by the LCRI, some of which are currently scheduled to take effect on October 16, 2024, to allow all water service providers to prepare adequately for any changes that may be implemented through the proposed LCRI rulemaking while continuing to comply with the existing requirements.

The IIJA was signed into law in November 2021 and provides for up to $15 billion for lead service line replacement through drinking water state revolving funds. The Company will evaluate its service territories and apply for funding for those areas that meet applicable requirements. With regard to future acquisitions, the Company will work with those communities as part of the acquisition process to set LSL removal goals appropriate for those systems. The prioritization of LSL removal is dependent on several factors, including the Company's planned water main and service line renewal projects, adjacent projects by municipalities or other utilities, LCR compliance monitoring results, and cooperation with its customers with respect to replacing the customer-owned portion of the LSL as necessary. In certain cases, these and other factors may result in a shorter or longer time frame for replacement. Because replacing the external LSL in its entirety is advised by several water industry organizations including the U.S. National Drinking Water Advisory Council, the Lead Service Line Replacement Collaborative, and the American Water Works Association, the Company's preferred approach is to replace the entire external LSL if lead is found on either the Company or customer portion of the service line; full LSL replacement is also consistent with the LCRR and proposed LCRI. The Lead Service Line Replacement Collaborative is a diverse group of public health, water utility, environmental, labor, consumer and housing organizations from across the country working together to encourage communities to accelerate the full replacement of LSLs through collaborative efforts at the local level.

National Primary Drinking Water Regulations

On March 14, 2023, the EPA announced the proposed National Primary Drinking Water Regulations ("NPDWR") for six PFAS including perfluorooctanoic acid ("PFOA"), perfluorooctane sulfonic acid ("PFOS"), perfluorononanoic acid ("PFNA"), hexafluoropropylene oxide dimer acid ("HFPO-DA", commonly known as "GenX Chemicals"), perfluorohexane sulfonic acid ("PFHxS"), and perfluorobutane sulfonic acid ("PFBS"). The proposed regulations would establish legally enforceable levels for PFAS in drinking water. The EPA anticipates issuing a final rule in 2024 and utilities will be provided a three-year window to comply with the new regulations once finalized, although the Safe Drinking Water Act allows utilities to request an additional two years if capital improvements are required.

The Company performed an initial review of the NPDWR to assess the four parts per trillion requirements for PFOA and PFOS and the application of the Hazard Index approach for PFNA, PFBS, PFHxS, and GenX Chemicals. On May 24, 2023, the Company submitted comments to the EPA outlining its position on key issues to address the proposed regulations, including its projected costs associated with PFAS treatment at the proposed limits and the potential impact to customers' bills. The Company estimates an investment of approximately $1 billion of capital expenditures to install additional treatment facilities over a three to five-year period in order to comply with the proposed regulations. Additionally, the Company estimates annual operating expenses up to approximately $50 million related to testing and treatment in today's dollars. These are preliminary estimates based on the proposed rule. The actual expenses may differ from these preliminary estimates and will be dependent upon multiple factors, including the final rule and effective date, as well as the completion of a system-by-system engineering analysis.

The Company supports sound policies and compliance with the NPDWR by all water utilities, while protecting customers and communities from the costly burden of monitoring and mitigating PFAS contamination in water systems. The Company continues to advocate for policies that hold polluters accountable and is participating in the multi-district litigation and other lawsuits filed against certain PFAS manufacturers seeking damages and reimbursement of costs incurred and continuing to be incurred to address contamination of public water supply systems by PFAS. For more information on the PFAS multi-district litigation, see Item 3—Legal Proceedings—PFAS Multi-District Litigation.

Clean Water Act

The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams and groundwater. In addition to requirements applicable to the Company's wastewater collection systems, its operations require discharge permits under the National Pollutant Discharge Elimination System ("NPDES") permit program established under the Clean Water Act, which must be renewed every five years. Pursuant to the NPDES permit program, the EPA and implementing states set maximum discharge limits for wastewater effluents and overflows from wastewater collection systems. Discharges that exceed the limits specified under NPDES permits can lead to the imposition of fines and penalties, and persistent non-compliance could lead to significant fines and penalties and other compliance costs. In addition, the difficulty of obtaining and complying with NPDES permits, and renewing expiring permits, may impose time and cost burdens on the Company's operations. From time to time, discharge violations occur at the Company's facilities, some of which result in fines. The Company does not expect any such violations or fines to have a material impact on its results of operations or financial condition. The EPA has identified wastewater discharge permitting and permits for the application of biosolids, or sewage sludge, containing PFAS as areas of focus in its PFAS Strategic Roadmap. Individual states may also take action in these areas. As indicated previously, capital expenditures and operating costs to comply with environmental mandates have been traditionally recognized by PUCs as appropriate for inclusion in establishing rates. As a result, the Company expects to recover the operating and capital costs resulting from any new requirements in these areas.

Research and Development

The Company's Research and Development Program

The Company maintains an industry-leading research and development ("R&D") program that is designed to enhance its services, support its compliance activities, improve service quality and operational effectiveness, and provide environmental leadership. For more than three decades from its inception, American Water's R&D program has evolved into an industry-leading effort and has achieved numerous advancements in the science of drinking water, wastewater, and desalination. Through laboratory and industry resources and the team's expertise, efforts are focused on contaminants of emerging concern, including but not limited to PFAS, Legionella, cyanotoxin-forming algal blooms, a variety of pathogens (for example, COVID-19, Cryptosporidium, Giardia, enteric viruses, and various bacteria), microbial indicators and disinfection byproducts. The Company's R&D personnel are located at the Company's corporate headquarters and at two laboratory testing facilities in New Jersey and Illinois, the latter housing its quality control and testing laboratory, which supports the Company's R&D activities through testing and analysis.

The Company continues to leverage its expertise and collaborates with the EPA and state agencies to help establish effective environmental, health and safety, and water quality standards and regulations. This relationship includes sharing of the Company's research, such as its treatment and distribution system optimization research and its national water quality monitoring data. The Company's engagement with the EPA provides it with early insight into emerging regulatory issues and initiatives, thereby allowing the Company to anticipate and to accommodate its future compliance requirements. The Company also frequently engages with the Centers for Disease Control and Prevention, other state environmental agencies, and national and international water research foundations. The Company believes that continued R&D activities are critical for providing safe, reliable and affordable services, as well as maintaining its leadership position in the industry, which provides the Company with a competitive advantage as it seeks business and operational growth.

Contaminants of Emerging Concern

Contaminants of emerging concern include numerous chemicals such as PFAS, pharmaceuticals, personal care products, pesticides, herbicides, antibiotic resistant bacteria (ARB), antibiotic resistant genes (ARG), endocrine disrupting compounds, microplastics and industrial chemicals, as well as certain naturally occurring microbes, such as bacteria, viruses and parasites, which have been detected in drinking water supplies, for which the risk to the public's health is not fully understood and/or has not been assessed. Technological advances have only recently made it possible to detect many of these contaminants at trace levels. The ability to detect contaminants, even at trace levels, has invited discussion about these contaminants among regulators and government agencies, which in turn shapes the public's perception of drinking water quality.

The Chemicals Abstract Service Registry contains over 204 million registered chemicals, with an estimated 1,400 species of disease-causing microbes that can affect humans. The Company is continually investigating new substances and contaminants, employing a team of scientists, engineers and public health professionals to identify threats to its water supply, to act on emerging regulations and new health advisories, and to evaluate the benefits of alternative or advanced treatment technologies. The Company utilizes water quality testing equipment and implements new and emerging technologies to help detect potential water supply contamination issues. Examples of the Company's efforts include:

- monitoring impacts of environmental pathogen loads and removal through wastewater systems;
- characterizing factors that contribute to the formation of potentially carcinogenic disinfection by-products to define best practices for their mitigation;

- advancing the science on holistic management strategies to improve distribution system water quality further;
- using its research findings to communicate information to its customers regarding potential actions to limit occurrences of Legionella in their buildings; in this regard, the Centers for Disease Control and Prevention statistics indicate that water-associated disease from Legionella is on the rise, with exposure typically associated with customer-owned plumbing systems in large buildings;
- defining a framework to support management or possible future regulation of opportunistic pathogens;
- developing expanded monitoring methods for short-chain and fluorinated replacement PFAS;
- systematically investigating PFAS removal from a variety of water matrices using established and emerging treatment technologies;
- leading a PFAS risk communication strategy for the water sector;
- using innovative technologies (e.g., satellite imagery) for early detection and response to algal blooms to manage public health impacts and prevent taste and odor events before cyanotoxins get into the water treatment plant;
- monitoring of taste and odor issues that impact customer satisfaction using expanded analytical methods to detect compounds, and evaluating and recommending treatment practices;
- implementing water source assessment tools, including sensors and data analytics, to evaluate and track chemical storage and aid in the identification of source water contamination events;
- developing methodology and advanced measurement techniques for contaminants of emerging concern to investigate transport, occurrence and treatment; and
- implementing activated carbon, biofiltration and ion exchange treatment to seek to control contaminants of emerging concern.

Service Company and Security

American Water Works Service Company, Inc. (“Service Company”) is a wholly owned subsidiary of the Company that provides support and operational services to the Company and its affiliates. These services are predominantly provided to the Company’s Regulated Businesses under contracts that have been approved by PUCs, where necessary, and are also provided to the MSG and CSG businesses as requested or may otherwise be necessary. Services provided by Service Company may include accounting and finance, administration, business development, communications, compliance, education and training, engineering, environmental, health and safety, human resources, information systems, internal audit, investor relations, legal and governance, operations, procurement, R&D, rates and regulatory support, security, risk management and insurance, treasury, and water quality. Service Company also provides customer support to the Company’s Regulated Businesses, which includes call handling, billing, a major accounts program and other related services. Services are provided by Service Company at cost, enabling the Company’s operating subsidiaries to fulfill their responsibilities in a cost-effective manner, while providing them access to in-depth, functional expertise.

The Company’s security team, through Service Company, provides oversight and policy guidance on physical, cyber and information security, as well as business continuity, throughout the Company’s operations. The security team is responsible for designing, implementing, monitoring and supporting effective physical and technical security controls for the Company’s physical assets, business systems and operational technologies. Risk assessments are conducted periodically to evaluate the effectiveness of existing security controls and serve as the basis for additional safeguards, security controls and measures. For additional information concerning this team and the Company’s cybersecurity program, see Item 1C—Cybersecurity.

Environmental, Social Responsibility and Governance

The Company considers environmental, social responsibility and governance (“ESG”) principles fundamental to its corporate strategy and values. Integration of these principles into the Company’s daily operations emphasizes its belief that “how” a company operates is just as important as “what” a company does. Delivering safe, clean, reliable and affordable water services to customers and treating wastewater has been fundamental to the Company’s business for decades. The Company has an opportunity to make a positive, sustainable impact in thousands of communities by serving them with diverse and skilled employees and maintaining the governance and diligence to meet or exceed service expectations.

Demonstrated ESG Leadership

The Company's values and actions have achieved prestigious recognition by firms devoted to recognizing companies that demonstrate ESG leadership. Among others, American Water (i) was recognized on the 2023 Bloomberg Gender-Equality Index for the fifth consecutive year, (ii) was ranked 18th on Barron's 100 Most Sustainable U.S. Companies 2023 List, (iii) was named one of America's Most JUST companies by JUST Capital and CNBC for its continued commitment to employees, customers, communities and shareholders, (iv) earned the U.S. Department of Homeland Security's SAFETY Act designation and the EPA's WaterSense® Excellence Award, and (v) was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans.

ESG Oversight

Management and Other Supporting Roles

American Water has developed a cross-functional approach for developing and implementing its ESG strategy, principles and reporting. The function involves the direct involvement and participation by many of its business units, including without limitation, its executive leadership team, as well as environmental, health and safety, human resources, legal, finance, accounting and investor relations teams (which includes the Company's ESG reporting function).

Board of Directors Oversight

The Board of Directors oversees the Company's strategy and performance related to sustainability through four standing committees:

- The Safety, Environmental, Technology and Operations Committee has oversight and responsibility with respect to, among other things: water quality and emerging contaminants; operational matters and functions; environmental and climate-related matters; and physical security and cybersecurity.
- The Audit, Finance and Risk Committee has oversight and responsibility of, among other things: the Company's risk assessment and enterprise risk management; the Company's financial statements and accounting; the independent auditor; internal audit and controls; and ethics and compliance matters.
- The Executive Development and Compensation Committee oversees, among other things: the Company's human capital management and ID&E programs; culture and related engagement with employees; and executive development, succession and compensation.
- The Nominating/Corporate Governance Committee has oversight and responsibility with respect to, among other things: corporate governance; Board and committee membership, leadership and composition; director nominations and succession; and director education.

Alignment with Annual Performance Plan

- The Company's Annual Performance Plan ("APP"), which provides annual, performance-based cash compensation to Company employees based upon the achievement of stated business goals, is aligned with its commitment to ESG principles. Performance measures and other mandatory training requirements related to the 2023 APP included the following:
  - Environmental: Drinking Water Quality and Program Compliance;
  - Social: Customer Satisfaction, Employee Safety and Employee Diversity; and
  - Governance: The Company requires annual completion of Code of Ethics training for an employee to be eligible to receive an APP payout.

Reporting, Disclosures and Transparency

- In 2023, the Company issued its seventh Sustainability Report as well as its ESG Data Summary, which covered performance and management of key metrics within the 2022 calendar year. American Water will begin publishing its Sustainability Report annually in 2024.
- In addition, the Company issued its third annual Inclusion, Diversity & Equity ("ID&E") Report, which describes the Company's inclusion and diversity strategies, practices, policies and programs. During 2023, the Company also continued to update key ID&E metrics quarterly on its *DiversityatAW.com* website.
- As part of its continued commitment to transparency, the Company provided the following new disclosures:
  - Independent assurance of Scope 1 and Scope 2 greenhouse gas emissions for 2020, 2021 and 2022, in accordance with the International Standard for Assurance Engagements ISAE 3000 (Revised);

- EEO-1 data for 2022, marking the third consecutive reporting year that the Company has shared this information broadly;
- A comparison of the Company's employee racial/ethnic diversity and residential customer diversity; and
- A director skills and diversity matrix.

- The Company also discloses on its website its Political Contribution Policy, and, on an annual basis, information related to political contributions, certain payments to tax-exempt organizations and trade associations (including Section 501(c)(4) organizations), and lobbying expenditures.

Human Capital Resources

Overview

American Water is committed to supporting a high performing workforce, and the Company seeks to attract and retain employees who share the Company's purpose and values and represent the communities the Company serves. The Company demonstrates this commitment to its employees through its employee value proposition, called weCARE, which forms a central part of the Company's human capital resources mission and includes a focus on deeper connections, personal growth, shared purpose, flexibility and well-being. The Company believes that investing time, energy and resources in its workforce helps to generate new ideas, continuously improve operations, and provide high-quality, reliable service for the customers and communities served.

Employee Health and Safety

Safety has always been a core value at American Water and is a critical component of its business strategy. The Company's ultimate goal is to achieve zero incidents, injuries and fatalities for the Company's employees and contractors, all of whom deserve to return home from work in the same, or better, condition than when they arrived. The Company's commitment to employee health and safety includes, in addition to physical safety, both emotional safety and overall wellbeing.

To support the Company's commitment to safety, the Company's employees completed approximately 157,000 hours of employee safety training, including physical security and cybersecurity training, during 2023. To support and enhance the Company's safety culture, the Company also collaborates on local, regional, and national levels with its labor union partners. Employees are empowered to demonstrate safety leadership by utilizing a number of safety practices embedded in the Company's culture, such as the use of (i) daily and pre-meeting safety messages, (ii) "Stop Work Authority" (the power to stop working immediately and mitigate a hazard whenever an employee believes a task is unsafe), and (iii) a peer-to-peer program in which employees observe and coach each other to encourage safe work. For 2023, the Company had an ORIR injury rate of 0.86, which reflects a 4% increase in injuries compared to 2022, taking into account a 1% increase in labor hours compared to 2022. Also, the number of Days Away Restricted or Transferred ("DART") injuries increased by 43.5% compared to 2022, primarily due to an increase in strain, sprain and tear injuries, which the Company has focused on addressing through safety action plans tailored to these types of injuries. For 2023, the Company had 54 injuries and its DART rate was 0.52 (33 injuries), compared to an ORIR of 0.85 (52 injuries) and a DART rate of 0.37 (23 injuries) in 2022.

The Company continued its focus in 2023, to promote leading indicator safety activities, including pre-job safety briefings and near-miss reporting, and by supporting the achievement of internal Certified Safe Worker designations. Near-miss reports, where employees report potential hazards or incidents in a safe and secure manner, increased by 32% in 2023 over 2022, and 98% of near-miss incident corrective actions were completed, with nearly 97% completed within 30 days. The Company utilizes near-miss reporting and timely corrective actions as key measurements of employee engagement and safety performance.

This commitment to safety also includes building a culture of well-being where all employees can feel emotionally safe and live a healthy lifestyle. Through well-being education, the Company is able to encourage employees to take preventative actions and increase participation in annual well-care exams and cancer screenings. In 2023, the Company introduced an enhanced wellness program platform to increase overall engagement and to leverage the use of mobile technologies. As a result, 34% of enrolled employees reached the highest participation level in the wellness program (compared to 19% in 2022). In addition, the mobile-ready platform presented an opportunity to engage more front-line employees in a user-friendly way.

Inclusion, Diversity and Equity

The Company believes that employees are at their best when they can bring their full selves to work every day. This belief is the central component of the Company's "Beautifully Different" philosophy, which recognizes, embraces and celebrates the uniqueness of its employees. The Company also believes that having employees with different ideas, viewpoints, experiences and backgrounds improves its ability to serve a diverse customer base. To this end, the Company is committed to seeking and promoting diversity among its workforce, executive and senior management leadership teams, to align the diversity of the Company's workforce with the diversity of the communities in which it serves.

As part of its APP, the Company has included diversity goals intended to increase the representation of women in, and the ethnic and racial diversity of, the Company's workforce. The goals measure the percentage of females and racial/ethnic diversity among the Company's workforce based on voluntary self-identification.

The Company maintains its *DiversityatAW.com* website to provide transparency and communicate progress on the Company's initiatives. This website currently includes, among other information, American Water's overall strategic approach to ID&E, the Company's ID&E report, its EEO-1 data, key employee diversity metrics (which are updated quarterly), and a discussion of the Company's pay equity study and internal labor market analysis.

During 2023, the Company continued to focus on creating a culture that respects and supports inclusion, diversity and equity. At all levels, the Company strives to understand, respect, value and provide equal opportunity to each employee, and to foster an environment where employees' differences are embraced and celebrated. The Company holds as an essential concept the right of employees to proudly share their ideas and unique perspectives in an environment built on mutual respect, equity and inclusion. The Company is committed to diversity among its workforce, including its executive and senior management leadership teams, by reflecting the diversity of the communities in which the Company serves. The Company expects all leaders to lead with inclusion, diversity and equity.

During 2023, 85.0% of the Company's hiring candidate pools were diverse. Additionally, for 2023, approximately 48.2% of the Company's internal employee transfers and promotions were filled with a diverse individual, reflecting the Company's commitment to employee development and career growth as well as the Company's focus on workforce inclusion, diversity and equity. For purposes of these metrics, diversity refers to gender, race, ethnicity, disability, veteran/military spouse status, and LGBTQ+ status, all based on voluntary, self-identified employee information.

The Company maintains active partnerships with groups such as Hiring our Heroes, Military Spouse Employment Partnership, American Corporate Partners, CEO Action for Diversity and Inclusion, Disability: IN, Paradigm for Parity, and Out and Equal, to further enhance its ability to recruit and retain diverse employees. Among its recognitions, the Company was honored as a 2023 VETS Indexes 3-Star Employer and earned the 2024 Military Friendly® Gold Employer designation for the Company's efforts in hiring and supporting U.S. military veterans. American Water was also recognized as the first utility to receive the Friendly Forces 5 STAR Reservist Friendly Employer award, the highest employer rating for Guard service personnel and reservists.

The Company was also a top scorer in the 2023 Disability Equality Index for the fifth consecutive year and was recognized by 50/50 Women on Boards™ for a gender-balanced board of directors, Fortune's Modern Board 25 Ranking, as well as a Champion of Board Diversity with distinction by the Forum of Executive Women. The Company was also named a 2023 Best of the Decade honoree by Minority Business News USA and Women's Enterprise USA, and the Company was included in the 2023 Impact Shares NAACP Minority Empowerment ETF. In keeping with the Company's values, the Company has a stated "zero-tolerance" approach against discrimination, harassment or retaliation by or toward any employee, vendor, customer or other person in its workplace. All employees are required to complete anti-harassment, workplace respect and dignity, unconscious bias and inclusion and diversity training. In addition, annual Code of Ethics training is provided to all employees, which includes instructions on using the Company's anonymous hotline for reporting potential Code of Ethics violations.

The Company's five Employee Business Resource Groups ("EBRGs"), which represent diverse employee demographics (Women, African American/Black, LGBTQ+, and Disabilities/Caregivers, with Military added in 2023), strive to create measurable and long-lasting positive impacts on employees' careers, as well as the Company's culture and communities in which it serves. EBRG members participate in events and awareness activities throughout the year, which highlight the importance of building an inclusive and equitable culture. For example, employees may participate in monthly meetings with a focus on various related topics, including career development, psychological safety, cultural awareness or business objectives. EBRG members also have the opportunity to impact the communities in which the Company serves through service projects, including the annual Juneteenth Unity Walk that supported the National Alliance on Mental Illness, an organization that provides advocacy, education, and support for, and public awareness of, mental illness, and projects supported by a partnership with Girl Scout troops to promote environmental stewardship and the importance of careers in science, technology, engineering and mathematics, among others.

Total Rewards

In order to attract, retain and motivate a skilled, high-performing and diverse workforce, American Water provides a comprehensive and highly competitive Total Rewards program, including base pay, APP, long-term performance plan compensation for certain leadership positions, and a wide range of benefits consisting of, among others: medical, prescription, dental, vision, life and disability insurance coverage, a retirement savings plan, an employee stock purchase plan, educational assistance, paid time off through holidays and vacation and sick time. The Company's Total Rewards offerings also include a health and wellness program and a menu of additional voluntary benefits.

All the Company's employees, including those who are union-represented, participate in the APP to promote alignment between performance-based compensation and the achievement of the Company's short-term performance goals. In addition, as part of its commitment to providing an inclusive and equitable culture for all employees, the Company regularly reviews its success in achieving pay equity, whereby pay decisions would be based on the responsibilities, talents and skills of its employees, rather than unrelated factors such as gender, race or ethnicity.

All employees who average 30 hours or more per week are eligible for full-time benefits. Approximately 89% of all benefit eligible employees are enrolled in the Company's healthcare benefits. Full-time employees pay approximately 16% of the total premium cost of medical, dental and vision coverage. To reinforce the Company's commitment to inclusion, diversity and equity, the Company's medical benefits include coverage for applied behavior analysis, autism treatment, transgender services and hearing aids, as well as a fertility assistance benefit. In addition, in 2023, the Company increased its paid family leave benefit for employees from two weeks to six weeks.

Talent Development

The Company partners with business leaders to understand the key behaviors and competencies required to operate safely and effectively, and to meet our short and long-term business objectives. The Company applied its workforce planning process in 2023, to assess key positions across the organization, identify potential talent risks, and begin building action plans to mitigate those risks. In addition, the Company worked to create and deploy programs designed to attract, motivate, develop and retain talented employees, and foster a learning culture. In 2023, the Company enhanced its employee learning goal, which provided an opportunity for employees to complete a minimum of 25 hours of learning through a variety of methods, including: on-the-job experiences and challenges; teaching others; and traditional instructor-led or remote learning opportunities. The Company believes that personal growth is a valuable component of weCARE and is committed to supporting strategies to help its employees develop both personally and professionally. Approximately 95% of active, full-time employees hired before October 1, 2023, met the employee learning goal, resulting in approximately 328,000 hours of total training completed during the year.

In addition to required role-based training, managers assist employees to identify professional development opportunities, utilizing a framework of on-the-job learning, social learning and formal learning, to help them attempt to reach their full potential and grow their careers. To further support employees' growth and development, during 2023, the Company expanded the employee profile fields within its employee information system to allow employees to showcase their achievements, contributions and aspirations, as well as to support identification of developing and key talent.

Developing talent to provide a pathway to executive leadership is a critical priority for the Company. During 2023, the Company engaged in succession planning activities for the Company's business-critical and business-impact positions. These succession plans support the Company's business continuity plans and goals, through the identification and development of current and future leaders, and promote diversity, retention and talent development priorities.

In addition to succession planning for executive and senior leadership roles, in 2023, the Company conducted local and enterprise-wide talent reviews, identifying top and emerging talent with a focus on diversity, strengths, gaps and development needs against the critical skills needed for certain roles. Through these talent review processes, business leaders identified a pool of high-potential employees, which will assist the Company in supporting their career goals and aspirations and promote more effective employee experience and talent retention efforts. The Company also utilizes annual six-month mentoring programs designed to accelerate emerging leaders' abilities to demonstrate leadership capabilities and relationships, with the guidance of an experienced executive mentor. Finally, in 2023, the Company, together with an outside vendor, initiated a new pilot program, called Accelerate for Impact, to support development of its high-potential employees' key competencies. Accelerate for Impact provides select high-potential employees the opportunity to engage in social learning activities and to complete self-directed, online coursework that culminates with a capstone project.

Employee Experience

The Company has established its weCARE employee value proposition that focuses on employee experience as an influencer of an employee's opinions and emotional response about the Company as an employer. weCARE is composed of five elements: deeper connections; personal growth; shared purpose; flexibility; and well-being. weCARE represents the Company's commitment to valuing its employees and building a safe, healthy and inclusive culture where employees know their value and are appreciated for their talents and commitment to supporting the Company's success. The Company offers employee programs covering each of the five components of weCARE. The Company is committed to improving the employee experience by listening to employees through focus group discussions and employee surveys, among other tools. To that end, the Company captures employee feedback, which helps the Company understand how employees are feeling and permits appropriate refinement of the Company's employee programs, benefits and support. In early 2023, the Company administered an evolved engagement survey, seeking to capture a view of the Company's employee experience, pursuant to which the Company received actionable feedback on each of these weCARE elements.

Workforce Data

As of December 31, 2023, the Company had approximately 6,500 employees. For 2023, the Company's employee turnover rate, which the Company defines as the ratio of the number of separated employees to the 12-month average headcount during 2023, was 11.5%, down from 12.3% in 2022. American Water seeks to reduce regrettable employee turnover by assessing the effectiveness of weCARE and through its efforts to foster the Company's employee experience.

As of December 31, 2023, approximately 47% of the Company's workforce was represented under 73 collective bargaining agreements with 14 different unions. In 2023, the Company renegotiated 21 collective bargaining agreements that were set to expire during the year. During 2024, 21 of the Company's collective bargaining agreements will expire in accordance with their terms and the Company expects to be able to negotiate these agreements during the year. In addition, the Company's national benefits agreement, which expires on July 31, 2028, covers approximately 3,000 of the Company's union-represented employees and their families and provides them with healthcare and other benefits. The Company also collaborates with union leadership on topics such as safety, customer, technology and employee benefits in forums such as the Joint Healthcare Committee, National Labor Management Committee and the annual Labor Management Conference. In 2023, the Company initiated a joint effort with certain of these labor unions and the Federal Mediation and Conciliation Service to host local discussions among management and union leaders with the goal of supporting and enhancing constructive relationships with these unions.

Board Oversight

The Executive Development and Compensation Committee ("ED&CC") of the Board of Directors establishes and reviews the Company's overall compensation philosophy and oversees the compensation and benefits plans and programs for its executive officers. The ED&CC oversees the process of planning for executive officer succession. It also provides oversight of the Company's inclusion, diversity and equity programs and initiatives. Further, the ED&CC is responsible for reviewing and assessing, at least annually, the Company's culture and related culture engagement, its organizational and leadership development plans and programs, and its programs designed to identify, attract and retain high-potential employees.

Information About Our Executive Officers

Presented in the table below are the name, age, offices held and business experience for each of the Company's executive officers, as of February 14, 2024:

Name	Age	Office and Experience
M. Susan Hardwick	61	**President and Chief Executive Officer.** Ms. Hardwick has served as President and Chief Executive Officer of the Company since February 2, 2022. She joined the Company in June 2019 as the Company's Executive Vice President—Finance and served as the Company's Chief Financial Officer from July 2019 until May 16, 2022. From December 7, 2021 until January 31, 2022, Ms. Hardwick also served as Interim Chief Executive Officer. Prior to joining the Company, Ms. Hardwick served as the Executive Vice President and Chief Financial Officer of Vectren Corporation, which was sold to CenterPoint Energy, Inc., an electric and natural gas utility, on February 1, 2019. Ms. Hardwick joined Vectren Corporation in January 2000 and served in a variety of positions, including: Vice President, Controller and Assistant Treasurer; Senior Vice President, Finance; Senior Vice President, Chief Financial Officer; and Executive Vice President and Chief Financial Officer. Prior to joining Vectren, Ms. Hardwick was Assistant Corporate Comptroller at Cinergy Corp. She began her career with Arthur Andersen & Co. Ms. Hardwick is a Certified Public Accountant. Since September 2020, Ms. Hardwick has served on the Board of Directors of New Jersey Resources Corporation, a diversified energy services company, where she is currently serving a three-year term expiring in 2024, and since January 1, 2021, she has served as a member of its Audit Committee. Ms. Hardwick is also a member of the Board of Directors of the National Association of Water Companies and serves on its Executive Committee.
James H. Gallegos	63	**Executive Vice President and General Counsel.** Mr. Gallegos joined the Company on April 1, 2022 as its Executive Vice President and General Counsel. From February 2020 until April 2022, Mr. Gallegos served as the Executive Vice President, General Counsel and Corporate Secretary of Alliant Energy Corporation, a regulated, investor-owned public utility holding company, and its two utility subsidiaries (collectively, "Alliant Energy"). From February 2015 to February 2020, Mr. Gallegos served as Senior Vice President, General Counsel and Corporate Secretary of Alliant Energy. Prior to that, Mr. Gallegos served in various positions with U S WEST, Inc., which merged with Qwest Communications International Inc. in 2000.

Name	Age	Office and Experience
John C. Griffith	57	**Executive Vice President and Chief Financial Officer.** Mr. Griffith joined the Company on May 16, 2022 as its Executive Vice President and Chief Financial Officer. Prior to joining the Company, since 2014, Mr. Griffith served as Managing Director, Mergers and Acquisitions, for Bank of America Securities' Global Regulated Utilities and Renewable Energy practice. Prior to joining Bank of America Securities, from 2008 to 2014, Mr. Griffith served as the Chief Executive Officer of HighWave Energy, a renewable fuels start-up company, and from 1995 to 2008, he served in various capacities of increasing responsibility with Merrill Lynch & Co.
Melanie M. Kennedy	50	**Executive Vice President, Chief Human Resources Officer.** Ms. Kennedy has served as the Company's Executive Vice President, Chief Human Resources Officer since December 2021, and as Senior Vice President, Chief Human Resources Officer from December 2020 to December 2021. Prior to that, she served as the Company's Senior Vice President, Human Resources from March 2017 to December 2020. From August 2014 through February 2017, Ms. Kennedy served as the Company's Vice President, Human Resources, and from August 2012 to August 2014, she served as Director, Human Resources in the Company's Northeast Division. Ms. Kennedy initially joined the Company in 2007, and before that time, she practiced law for nine years.
Cheryl Norton	59	**Executive Vice President and Chief Operating Officer.** Ms. Norton has 35 years of employment with the Company serving in various roles, including operational leadership, environmental stewardship, laboratory management and research. She has been serving as the Company's Executive Vice President and Chief Operating Officer since March 2021 and served as its Senior Vice President, Chief Environmental Officer from March 2020 to March 2021. She was also the Company's Senior Vice President, Eastern Division and President of its New Jersey subsidiary from March 2019 to March 2021. Prior to that, Ms. Norton served as President of the Company's Missouri subsidiary from November 2015 to March 2019, and President of its Kentucky subsidiary from January 2011 until November 2015. In addition, Ms. Norton also serves as a member of the Board of Directors of the Water Research Foundation.

Each executive officer is elected annually by the Board of Directors and serves until their respective successor has been elected and qualified or their earlier death, resignation or removal.

Available Information

The Company is subject to the reporting requirements of the Exchange Act. The Company files or furnishes annual, quarterly and current reports, proxy statements and other information with the SEC. Readers may obtain a copy of the Company's Annual Reports on Form 10-K, its Quarterly Reports on Form 10-Q or its Current Reports on Form 8-K, or any amendments to them, that are filed with or furnished to the SEC, free of charge, from the Company's Investor Relations website, *https://ir.amwater.com,* as soon as reasonably practicable after the Company files or furnishes the information to the SEC.

The Company maintains a website at *https://amwater.com*. Information contained on the Company's website and its Investor Relations website, including its Sustainability Report, its Inclusion, Diversity & Equity Annual Report, and other reports or documents, and the information and data on the Company's diversity website, *https://Diversityataw.com*, shall not be deemed incorporated into, or to be a part of, this report, and any website references included herein are not intended to be made through active hyperlinks. The Company recognizes its websites as key channels of distribution to reach public investors and as a means of disclosing information to comply with SEC Regulation FD.

The Corporate Governance Guidelines and the charters for each of the standing committees of the Board of Directors, together with the American Water Code of Ethics and additional information regarding the Company's corporate governance, are available on the Company's Investor Relations website, and will be made available, without charge, in print to any shareholder who requests such documents from the Company's Investor Relations Department in writing by mail at American Water Works Company, Inc., 1 Water Street, Camden, NJ, 08102.

ITEM 1A. RISK FACTORS

We operate in a market and regulatory environment that involves significant risks, many of which are beyond our control. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following material factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially and adversely affect our business, financial position, results of operations, cash flows and liquidity.

Risks Related to Our Industry and Business Operations

Our Regulated Businesses are subject to extensive regulation by state PUCs and other regulatory agencies, which significantly affects our business, financial condition, results of operations and cash flows. Our Regulated Businesses also may be subject to fines, penalties and other sanctions for an inability to meet these regulatory requirements.

Our Regulated Businesses provide water and wastewater services to our customers through subsidiaries that are subject to regulation by state PUCs. This regulation affects the rates we charge our customers and has a significant impact on our business and operations. Generally, the state PUCs authorize us to charge rates that they determine are sufficient to recover our prudently incurred operating expenses, including, but not limited to, operating and maintenance costs, depreciation, financing costs and taxes, and provide us with the opportunity to earn an appropriate rate of return on invested capital.

Our ability to successfully implement our business plan and strategy depends on the rates authorized by the various state PUCs. We periodically file rate increase applications with state PUCs. The ensuing administrative process may be lengthy and costly. Our rate increase requests may or may not be approved, or may be partially approved, and any approval may not occur in a timely manner. Moreover, a PUC may not approve a rate request in an amount that is sufficient to:

- recover our cost of operations, including: purchased water; chemicals; and fuel, power and other commodities used in our operations;
- recover our operational labor and labor-related expenses, including without limitation costs and expenses associated with our pension and other post-employment benefits;
- enable us to recover our investment; and
- provide us with an opportunity to earn an appropriate rate of return on our investment.

Approval by the PUCs is also required in connection with other aspects of our Regulated Businesses, which are required to have numerous permits, approvals and certificates from the PUCs that regulate their businesses and authorize acquisitions, dispositions, debt and/or equity financing, and, in certain cases, affiliated transactions. Some state PUCs are empowered to impose financial penalties, fines and other sanctions for non-compliance with applicable rules and regulations. Although we believe that each utility subsidiary has obtained or sought renewal of the material permits, approvals and certificates necessary for its existing operations, we are unable to predict the impact that future regulatory activities may have on our business.

In any of these cases, our business, financial condition, results of operations, cash flows and liquidity may be adversely affected. Even if the rates approved are sufficient, we face the risk that we will not achieve the rates of return on equity permitted by state PUCs. This could occur if certain conditions exist, including, but not limited to, (i) water usage is less than the level anticipated in establishing rates, (ii) customers increase their conservation efforts, (iii) we experience unusual or emergent situations, events or conditions, (iv) we experience a significant increase in customers without recovery of the operating and other costs associated with serving them, or a decrease in customers that causes a decrease in operating revenue, or (v) our investments or expenses prove to be higher than the levels estimated in establishing rates. It may be difficult to predict the outcome or impact of these events on us or the actions that may be taken by the PUCs or other governmental authorities in response thereto.

Our operations and the quality of water we supply are subject to extensive and increasingly stringent environmental, water quality and health and safety laws and regulations, including with respect to contaminants of emerging concern, compliance with which could impact both our operating costs and capital expenditures, and violations of which could subject us to substantial liabilities and costs, as well as damage to our reputation.

Our water and wastewater operations are subject to extensive federal, state and local laws and regulations. These requirements include, among others, CERCLA, the Clean Water Act, the Safe Drinking Water Act, the LCR (as amended), and each of their implementing rules and regulations, as well as other federal and state requirements. For example, state PUCs and environmental regulators set conditions and standards for the water and wastewater services we deliver. If the water or wastewater services we provide to our customers do not comply with regulatory standards, or otherwise violate environmental laws, regulations or permits, or other health and safety and water quality regulations, we could incur substantial fines, penalties or other sanctions or costs, as well as damage to our reputation. In the most serious cases, regulators could reduce requested rate increases or force us to discontinue operations and sell our operating assets to another utility or to a municipality. Given the nature of our business which, in part, involves

providing water service for human consumption, any potential non-compliance with, or violation of, environmental, water quality and health and safety laws or regulations would likely pose a more significant risk to us than to a company not similarly involved in the water and wastewater industry. In addition, CERCLA authorizes the EPA to issue orders and bring enforcement actions to compel responsible parties to investigate and take remedial actions with respect to actual or threatened releases of hazardous substances, and can impose joint and several liability, without regard to fault, on responsible parties for the costs thereof. We are also required to obtain various environmental permits from regulatory agencies for our operations.

We incur substantial operating and capital costs on an ongoing basis to comply with environmental, water quality and health and safety laws and regulations. These laws and regulations and their enforcement, have become more stringent over time, and new or stricter requirements, such as the anticipated EPA drinking water regulations for PFAS, the LCRR and the proposed LCRI, could increase our costs. Although we may seek to recover ongoing compliance costs in our Regulated Businesses through customer rates, there can be no guarantee that the various state PUCs or similar regulatory bodies that govern our Regulated Businesses would approve rate increases that would enable us to recover such costs or that such costs will not materially and adversely affect our financial condition, results of operations, cash flows and liquidity. We may also incur liabilities if, under environmental laws and regulations, we are required to investigate and clean up environmental contamination, including potential releases of hazardous chemicals, such as gaseous chlorine, which we use to treat water, or at off-site locations where we have disposed of residual waste or caused an adverse environmental impact. The discovery of previously unknown conditions, or the imposition of cleanup obligations in the future, could result in significant costs and could adversely affect our financial condition, results of operations, cash flows and liquidity. Such remediation costs may not be covered by insurance and may make it difficult for us to secure insurance at acceptable rates in the future.

Attention is being given to contaminants of emerging concern, including, without limitation, chemicals and other substances that currently do not have any regulatory standard in drinking water or have been recently created or discovered (including by means of scientific achievements in the analysis and detection of trace amounts of substances). Examples of sources of contaminants include, but are not limited to, newly created chemical compounds (including, for example, manufactured nanomaterials); human and veterinary products; PFAS; bacteria, microbes, viruses, amoebae and other pathogens; and residual by-products of disinfection. We rely upon governmental agencies to set appropriate regulatory standards to protect the public from these and other contaminants, and our role is to provide service that meets these standards, if any. In some of our states, PUCs may disapprove of cost recovery, in whole or in part, for implementation of treatment infrastructure for a contaminant in the absence of a regulatory standard. Furthermore, given the rapid pace at which these contaminants are being created and/or discovered, we may not be able to detect and/or mitigate all such substances in our drinking water system or supplies, which could have a material adverse impact on our financial condition, results of operations and reputation. In addition, we believe these contaminants will continue to form the basis for additional or increased federal or state regulatory initiatives and requirements in the future, which could significantly increase the cost of our operations.

Limitations on availability of water supplies or restrictions on our use of water supplies because of government regulation or action may adversely affect our access to sources of water, our ability to supply water to customers or the demand for our water services.

Our ability to meet the existing and future demand of our customers depends on the availability of an adequate supply of water. As a general rule, sources of public water supply, including rivers, lakes, streams, groundwater aquifers and recycled water sources, are held in the public trust and are not generally owned by private interests. As a result, we typically do not own the source water that we use in our operations, and the availability of our water supply is established through allocation rights (determined by legislation or court decisions) and passing-flow requirements set by governmental entities or by entering into water purchase agreements. These requirements, which can change from time to time, and vary by state or region, may adversely impact our water supply. Supply issues, such as drought, overuse of sources of water, the protection of threatened species or habitats, contamination or other factors may limit the availability of ground and surface water. If we are unable to secure available or alternative sources of water, our business, financial condition, results of operations and cash flows could be adversely affected.

For example, in our Monterey County, California operations, we are seeking to augment our sources of water supply, principally to comply with the cease and desist orders issued by the SWRCB in July 1995 and October 2009 (the "1995 Order," the "2009 Order" and, as amended in July 2016, the "2016 Order" and, collectively, the "Orders") that require Cal Am to significantly decrease its diversions from the Carmel River in accordance with a reduction schedule that terminated on December 31, 2021. See Item 3—Legal Proceedings—Alternative Water Supply in Lieu of Carmel River Diversions, which includes additional information regarding this matter. While the Company cannot currently predict the likelihood or result of any adverse outcome associated with these matters, further attempts to comply with the Orders may result in material additional costs or obligations, including fines and penalties against Cal Am in the event of noncompliance with the Orders, which could have a material adverse effect upon us and our business, results of operations and cash flows.

Service disruptions caused by severe weather conditions, climate variability patterns or natural or other disasters may disrupt our operations or reduce the demand for our water services, which could adversely affect our financial condition, results of operations, cash flows and liquidity.

Service interruptions due to severe weather, climate variability patterns and natural or other events are possible across all our businesses. These include, among other things, storms, freezing conditions, high wind conditions, hurricanes, tornadoes, earthquakes, landslides, drought, wildfires, coastal and intercoastal floods or high water conditions, including those in or near designated flood plains, pandemics and epidemics, severe electrical storms, sinkholes, solar flares and chemical spills or other contamination causing temporary unavailability of our source water supplies. Weather and other natural events such as these may affect the condition or operability of our facilities, limiting or preventing us from delivering water or wastewater services to our customers, or requiring us to make substantial capital expenditures to repair any damage. Tariffs in place or cost recovery proceedings with respect to our Regulated Businesses may not provide reimbursement to us, in whole or in part, for any of these impacts.

Government restrictions on water use may also result in decreased use of water services, even if our water supplies are sufficient to serve our customers, which may adversely affect our financial condition, results of operations and cash flows. Seasonal and other drought conditions that may impact our water services are possible across all of our service areas. Governmental restrictions imposed in response to a drought may apply to all systems within a region independent of the supply adequacy of any individual system. Responses may range from voluntary to mandatory water use restrictions, rationing restrictions, water conservation regulations, and requirements to minimize water system leaks. While expenses incurred in implementing water conservation and rationing plans may generally be recoverable provided the relevant PUC determines they were reasonable and prudent, we cannot be certain that any such expenses incurred will, in fact, be fully recovered. Moreover, reductions in water consumption, including those resulting from installation of equipment or changed consumer behavior, may persist even after a drought has ended and restrictions are lifted, which could adversely affect our business, financial condition, results of operations and cash flows.

Climate variability may cause increased volatility in weather and may impact water usage and related revenue or require additional expenditures, all of which may not be fully recoverable in rates or otherwise.

The issue of climate variability is receiving increasing attention nationally and worldwide. There is consensus among climate scientists that there will be worsening of weather volatility in the future associated with climate variability. Many climate variability predictions present several potential challenges to water and wastewater utilities, including us, such as:

- increased frequency and duration of droughts;
- increased precipitation and flooding;
- increased frequency and severity of storms and other weather events;
- challenges associated with changes in temperature or increases in ocean levels;
- potential degradation of water quality;
- decreases in available water supply and changes in water usage patterns;
- increases in the number, length and severity of disruptions in service;
- increased costs to repair damaged facilities; or
- increased costs to reduce risks associated with the increasing frequency and severity of natural events, including to improve the resiliency and reliability of our water and wastewater treatment and conveyance facilities and systems.

Because of the uncertainty of weather volatility related to climate variability, we cannot predict its potential impact on our business, financial condition, results of operations, cash flows and liquidity. Furthermore, both Federal and state laws and regulations have been enacted or proposed that seek to reduce or limit greenhouse gas emissions and require or would require additional reporting, monitoring and disclosure, and these regulations may become more pervasive or stringent in light of changing governmental agendas and priorities, although the exact nature and timing of these changes is uncertain. Although some or all potential expenditures and costs associated with the impact of climate variability and related laws and regulations on our Regulated Businesses could be recovered through rates, infrastructure replacement surcharges or other regulatory mechanisms, there can be no assurance that state PUCs would authorize rate increases to enable us to recover such expenditures and costs, in whole or in part.

The current regulatory rate setting process may result in a significant delay, also known as "regulatory lag," from the time that we invest in infrastructure improvements, incur increased operating expenses as a result of inflation or other factors, incur increased cost of capital, including as a result of increasing short- and long-term interest rates, or experience declining water usage, to the time at which we can seek to address these events in general rate cases; our inability to mitigate or minimize regulatory lag or the impacts thereof could adversely affect our business.

There is typically a delay, known as "regulatory lag," between the time our Regulated Businesses make a capital investment or incur an operating expense increase, including as a result of inflation or other factors, and the time when those costs are reflected in rates. In addition, billings permitted by state PUCs typically are, to a considerable extent, based on the volume of water used in addition to a minimum base rate. Thus, we may experience regulatory lag between the time our revenues are affected by declining usage and the time we are able to adjust the rate per gallon of usage to address declining usage. Our inability to mitigate or reduce regulatory lag or the impacts thereof could have an adverse effect on our financial condition, results of operations, cash flows and liquidity.

We endeavor to mitigate or reduce regulatory lag by pursuing constructive regulatory practices. For example, two of our states have approved revenue stability mechanisms that adjust rates periodically to ensure that a utility's revenue will be sufficient to cover its costs regardless of sales volume, including recognition of declining sales resulting from reduced usage, while providing an incentive for customers to use water more efficiently. In addition, 10 of our state PUCs permit rates to be adjusted outside of the general rate case process through surcharges that address certain capital investments, such as replacement of aging infrastructure. These surcharges are adjusted periodically based on factors such as project completion or future budgeted expenditures, and specific surcharges are eliminated once the related capital investment is incorporated in new PUC-approved rates. Furthermore, in setting rates, nine of our state PUCs allow us to use future test years, which extend beyond the date a general rate case is filed to allow for current or projected revenues, expenses and investments to be reflected in rates on a more timely basis. Other examples of such regulatory practices include expense mechanisms that allow us to increase rates for certain cost increases that are beyond our control, such as purchased water costs, property or other taxes, or costs for power or other fuel, conservation, chemical or other expenditures. These mechanisms enable us to adjust rates in less time after costs have been incurred than would be the case under a general rate case process without the mechanisms.

While these mechanisms have mitigated or reduced regulatory lag in several of our regulated states, we continue to seek approval of regulatory practices to mitigate or reduce regulatory lag in those jurisdictions that have not approved them. Furthermore, PUCs may fail to adopt new surcharges and existing mechanisms may not continue in their current form, or at all, or we may be unable or become ineligible to continue to utilize certain of these mechanisms in the future. Although we intend to continue our efforts to seek state PUC approval of constructive regulatory practices to mitigate or reduce regulatory lag, our efforts may not be successful, or even if partially successful, our business, financial condition, results of operations, cash flows and liquidity may be materially and adversely affected.

Changes in laws and regulations can significantly and materially affect our business, financial condition, results of operations, cash flows and liquidity.

The impact of any future revisions or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to our Regulated Businesses is uncertain. Changes in laws or regulations, the imposition of additional laws and regulations, changes in enforcement practices of regulators, government policies or court decisions can materially affect our operations, results of operations and cash flows. Certain of the individuals who serve as regulators are elected or political appointees. Therefore, elections which result in a change of political administration or new appointments may also result in changes of the individuals who serve as regulators and changes in the policies of the regulatory agencies that they serve. New laws or regulations, new interpretations of existing laws or regulations, changes in agency policy, including those made in response to shifts in public opinion, or conditions imposed during the regulatory hearing process could have the following consequences, among others:

- making it more difficult for us to increase our rates and, as a consequence, to recover our costs or earn our expected rates of return;
- changing the determination of the costs, or the amount of costs, that would be considered recoverable in rate cases and other regulatory proceedings;
- restricting our ability to terminate our services to customers who owe us money for services previously provided or limiting our bill collection efforts;
- requiring us to provide water or wastewater services at reduced rates to certain customers;
- limiting or restricting our ability to acquire water or wastewater systems, purchase or dispose of assets, or issue long-term debt or equity, or making it less cost-effective for us to do so;
- negatively impacting, among other things: (i) tax rates or positions or the deductibility of expenses under federal or state tax laws, (ii) the availability or amount of, or our ability to comply with the terms and conditions of, tax credits or tax

abatement benefit, (iii) the amount of taxes owed or paid, including as a result of the Corporate Alternative Minimum Tax provisions, (iv) the timing of tax effects on rates or (v) the ability to utilize our net operating loss carryforwards;

- increasing the associated costs of, and/or of difficulty complying with, environmental, health, safety, consumer privacy, water quality, and water quality accountability laws and regulations to which our operations are subject;
- changing or placing additional limitations on change in control requirements relating to any concentration of ownership of our common stock;
- making it easier for governmental entities to convert our assets to public ownership via condemnation, eminent domain or other similar process, or for governmental agencies or private plaintiffs to assess liability against us for damages under these or similar processes;
- increasing the costs and/or difficulty of complying with proposed changes to federal contractor affirmative action audits;
- placing limitations, prohibitions or other requirements with respect to the sharing of information and participation in transactions by or between a regulated subsidiary and us or our other affiliates, including Service Company and any of our other subsidiaries;
- restricting or prohibiting our extraction of water from rivers, streams, reservoirs or aquifers; and
- revoking or altering the terms of a CPCN issued to us by a state PUC or other governmental authority.

Regulatory and environmental risks associated with the collection, treatment and disposal of wastewater may impose significant costs and liabilities.

The wastewater collection, treatment and disposal operations of our subsidiaries are subject to substantial regulation and involve environmental risks. If collection, treatment or disposal systems fail, overflow, or do not operate properly, untreated or inadequately treated wastewater or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. This risk is most acute during periods of substantial rainfall or flooding, which are the main causes of sewer overflow and system failure. Liabilities resulting from such damage could adversely and materially affect our business, financial condition, results of operations and cash flows. Some of our wastewater systems have commercial and industrial customers that are subject to specific limitations on the type, character and concentration of the wastewater they are permitted to discharge into our systems. The failure by these commercial and industrial customers to comply with their respective discharge requirements could, in turn, negatively impact our operations, damage our facilities or cause us to exceed applicable discharge limitations and requirements. Liabilities resulting from such exceedance events could adversely and materially affect our business, financial condition, results of operations and cash flows.

A loss of one or more large industrial or commercial customers could have a material adverse impact upon the results of operations of one or more of our Regulated Businesses.

Adverse economic conditions may cause our customers, particularly industrial and large commercial customers, to curtail operations. A curtailment of operations by such a customer typically results in reduced water usage by that customer. In more severe circumstances, the decline in usage could be permanent. Any decrease in demand resulting from difficult economic conditions affecting these customers could adversely affect our financial condition and results of operations. Tariffs in place with respect to our Regulated Businesses may not reimburse us, in whole or in part, for any of these impacts.

Our Regulated Businesses require significant capital expenditures and may suffer if we fail to secure appropriate funding to make investments, experience increases in short- and long-term interest rates or if we experience delays in completing major capital expenditure projects.

The water and wastewater utility business is capital intensive. We invest significant amounts of capital to add, replace and maintain property, plant and equipment, and to improve aging infrastructure. In 2023, we invested $2.6 billion in net Company-funded capital improvements. The level of capital expenditures necessary to maintain the integrity of our systems will continue into the future and, we believe, will increase. If we are not able to obtain sufficient financing through current or future sources of liquidity, we may be unable to maintain our existing property, plant and equipment, fund our capital investment strategies or expand our rate base to enable us to meet our growth targets. Even with adequate financial resources to make required capital expenditures, we face the additional risk that we will not complete our major capital projects on time, as a result of supply chain interruptions, construction delays, permitting delays, labor shortages or other disruptions, environmental restrictions, legal and regulatory challenges, or other obstacles. Each of these outcomes could adversely affect our business, financial condition, results of operations and cash flows.

Aging infrastructure may lead to service disruptions, property damage and increased capital expenditures and O&M expenses and other costs, all of which could negatively impact our financial results.

We have risks associated with aging infrastructure, including water and sewer mains, pumping stations and water and wastewater treatment facilities. Additionally, we may have limited information regarding buried and newly acquired assets, which

could challenge our ability to conduct efficient asset management and maintenance practices. Assets that have aged beyond their expected useful lives may experience a higher rate of failure. Failure of aging infrastructure could result in increased capital expenditures and O&M expenses and other costs. In addition, failure of aging infrastructure may result in property damage, and in safety, environmental and public health impacts. To the extent that any increased costs or expenditures are not fully recovered in rates, our results of operations, liquidity and cash flows could be negatively impacted.

Seasonality could adversely affect the volume of water sold and our revenues.

The volume of water we sell during the warmer months, typically in the summer, is generally greater than during other months, due primarily to increased water usage for irrigation systems, swimming pools, cooling systems and other applications. Throughout the year, and particularly during typically warmer months, the volume of water sold tends to vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, or if there is more rainfall than normal, the amount of water we sell may decrease and adversely affect our revenues.

Two of our jurisdictions, California and Illinois, currently have revenue stability mechanisms that permit us to recover the revenues authorized in a general rate case, regardless of sales volume. Revenue stability mechanisms are designed to recognize declining sales resulting from reduced consumption, while providing an incentive for customers to use water more efficiently. In those jurisdictions that have not adopted a revenue stability mechanism, our operating results could continue to be affected by seasonality.

Contamination of water supplies or our water service provided to our customers could result in service limitations and interruptions and exposure to substances not typically found in potable water supplies, and could subject us and our subsidiaries to reductions in usage and other responsive obligations, government enforcement actions, damage to our reputation and private litigation.

The water supplies that flow into our treatment plants or are delivered through our distribution system, or the water service that is provided to our customers, may be subject to contamination, including, among other items, contamination from naturally-occurring compounds, chemicals in groundwater systems, pollution resulting from manufactured sources (such as perchlorate, perfluorinated and polyfluorinated compounds, methyl tertiary butyl ether, 1,4-dioxane, lead and other materials, or chemical spills or other incidents that result in contaminants entering the water source), and possible terrorist attacks or other similar incidents. In addition, new categories of contaminants continue to emerge in the water industry. If one of our water supplies or the water service provided to our customers is contaminated, depending on the nature of the contamination, we may have to take responsive actions that could include, among other things (1) limiting use of the water supply under a “Do Not Use” protective order that enables continuation of basic sanitation and essential fire protection, or (2) interrupting the use of that water supply, in whole or in part, potentially impacting basic sanitation and fire protection needs. If service is disrupted, our financial condition, results of operations, cash flows, liquidity and reputation may be adversely affected. In addition, we may incur significant costs in order to treat the contaminated source through the expansion of our current treatment facilities or the development of new sources of supply or new treatment methods. We may be unable to recover costs associated with treating or decontaminating water supplies through insurance, customer rates, tariffs or contract terms, and any recovery of these costs that we are able to obtain through regulatory proceedings or otherwise may not occur in a timely manner. Moreover, we could be subject to claims for damages arising from government enforcement actions or toxic tort or other lawsuits arising out of an interruption of service or human exposure to hazardous substances in our drinking water and water supplies. See Item 3—Legal Proceedings for information on certain pending lawsuits related to interruptions of water service.

Since we are engaged in the business of providing water service to our customers, contamination of the water supply, or the water service provided to our customers, could result in substantial injury or damage to our customers, employees or others and we could be exposed to substantial claims and litigation. Such claims could relate to, among other things, personal injury, loss of life, business interruption, property damage, pollution, and environmental damage and may be brought by our customers or third parties. Litigation and regulatory proceedings are subject to inherent uncertainties and unfavorable rulings can and do occur. We may not be protected from these claims or negative impacts of these claims in whole or in part by tariffs or other contract terms. Negative impacts to our reputation may occur even if we are not liable for any contamination or other environmental damage or the consequences arising out of human exposure to contamination or hazardous substances within the water supply or distributed finished drinking water. In addition, insurance coverage may not cover all or a portion of these losses, and are subject to deductibles and other limitations. Pending or future claims against us could have a material adverse impact on our business, financial condition, results of operations and cash flows.

We are subject to adverse publicity and reputational risks, which make us vulnerable to negative customer perception and could lead to increased regulatory oversight or sanctions.

Our business and operations have a large direct and indirect customer base and, as a result, we are exposed to public criticism regarding, among other things, the reliability of water service, wastewater and related or ancillary services, the quality of water provided, and the amount, timeliness, content, accuracy and format of bills that are provided for such services. Adverse publicity and negative consumer sentiment arising out of our operations may render legislatures and other governing bodies, state PUCs and other regulatory authorities, and government officials less likely to view us in a favorable light, and may cause us to be susceptible to less

favorable legislative, regulatory and economic outcomes, as well as increased regulatory investigations or other oversight and more stringent regulatory or economic requirements. Unfavorable regulatory and economic outcomes may include negative investigative conclusions and/or findings, the enactment of more stringent laws and regulations governing our operations and less favorable economic terms in our long-term contracts related to MSG, as well as fines, penalties or other sanctions or requirements. The imposition of any of the foregoing could have a material negative impact on us and our financial condition, results of operations and cash flows.

The failure of, or the requirement to repair, upgrade or dismantle, any of our dams may adversely affect our financial condition, results of operations, cash flows and liquidity.

The properties of our Regulated Businesses segment include 74 dams, the majority of which are earthen dams. The failure of any of these dams could result in personal injury and property damage, including without limitation downstream property damage, for which we may be liable. The failure of a dam would also adversely affect our ability to supply water in sufficient quantities to our customers and could adversely affect our financial condition and results of operations. Any losses or liabilities incurred due to a failure of one of our dams might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future.

We also are required from time to time to decommission, repair or upgrade the dams that we own. The cost of such repairs or upgrades can be and has been material. The federal and state agencies that regulate our operations may adopt rules and regulations requiring us to dismantle our dams, which also could entail material costs. Although in most cases the PUC has permitted recovery of expenses and capital investment related to dam rehabilitation, we might not be able to recover costs of repairs, upgrades or dismantling through rates in the future. The inability to recover these costs or delayed recovery of the costs as a result of regulatory lag can affect our financial condition, results of operations, cash flows and liquidity.

Any failure of our network of water and wastewater pipes, water mains and water reservoirs could result in losses and damages that may affect our financial condition and reputation.

Our operating subsidiaries distribute water and collect wastewater through an extensive network of pipes, water mains and storage systems located across the United States. A failure of major pipes, mains or reservoirs could result in injuries, property and other damage for which we may be liable. The failure of major pipes, mains and reservoirs may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quantities to our customers and to meet the water and wastewater delivery requirements prescribed by government regulators, including state PUCs with jurisdiction over our operations, and adversely affect our financial condition, results of operations, cash flows, liquidity and reputation. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure insurance at acceptable rates in the future. Moreover, to the extent such business interruptions or other losses are not covered by insurance, they may not be recovered through rate adjustments.

An important part of our growth strategy is the acquisition of water and wastewater systems, which involves risks, including competition for acquisition opportunities from other regulated utilities, governmental entities and other buyers, which may hinder or limit our ability to grow our business.

An important element of our growth strategy is the acquisition and optimization of water and wastewater systems to broaden our current, and move into new, service areas. We may not be able to acquire other systems or businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates, and whether or not any particular acquisition is successfully completed, these activities are expensive and time consuming and are subject to the availability of capital and personnel resources to complete such acquisitions.

As consolidation activity increases in the water and wastewater industries and competition from other regulated utilities, governmental entities and other strategic and financial buyers continues to increase, the prices for suitable acquisition candidates may increase and our ability to expand through acquisitions may otherwise be limited.

The negotiation and execution of potential acquisitions as well as the integration of acquired systems or businesses with our existing operations could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in, among other things:

- unanticipated capital expenditures;
- unanticipated acquisition-related expenses;
- incurrence or assumption of debt, contingent liabilities and environmental liabilities and obligations, including liabilities that were unknown or undisclosed at the time of acquisition;

- failure to recover acquisition adjustments or premiums due to unfavorable decisions by PUCs and other governmental authorities;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets at values that ultimately may be subject to impairment charges;
- fluctuations in quarterly and/or annual results;
- failure to realize anticipated or perceived benefits and synergies, such as desired return on equity or profitability, cost savings and revenue enhancements; and
- difficulties in integrating or assimilating acquired systems' operations, personnel, benefits, services and systems and water quality, cybersecurity and infrastructure protection measures.

Some or all of these items could have a material adverse effect on our business. In addition, state laws on acquisition treatment or PUC interpretation thereof may affect our ability to recover costs associated with our investments in newly-acquired water and wastewater systems and any difficulties we encounter in the negotiation, execution or integration process could have a material adverse impact on our results of operations, reduce our net income and profitability or adversely affect our internal control over financial reporting.

Our Regulated Businesses are subject to condemnation and other proceedings through eminent domain or other similar authorized process, which could materially and adversely affect their results of operations and financial condition.

Municipalities and other government subdivisions have historically been involved in the provision of water and wastewater services in the United States, and organized efforts may arise from time to time in one or more of the service areas in which our Regulated Businesses operate to convert our assets to public ownership and operation through exercise of the governmental power of eminent domain, or another similar authorized process. A municipality, other government subdivision or a citizen group may seek to acquire our assets through eminent domain or such other process, either directly or indirectly as a result of a citizen petition. For example, on December 15, 2023, the MPWMD filed eminent domain litigation against Cal Am in Monterey County Superior Court with respect to the Monterey system assets. See Item 3—Legal Proceedings—Proposed Acquisition of Monterey System Assets — Potential Condemnation for additional information regarding this matter.

Furthermore, the law in certain jurisdictions in which our Regulated Businesses operate provides for eminent domain rights allowing private property owners to file a lawsuit to seek just compensation against a public utility, if the public utility's infrastructure has been determined to be a substantial cause of damage to that property. In these actions, the plaintiff would not have to prove that the public utility acted negligently. In California, lawsuits have been filed in connection with large-scale natural events such as wildfires. Some of these lawsuits have included allegations that infrastructure of certain utilities triggered the natural event that resulted in damage to the property. In some cases, the PUC has disallowed recovery in rates of losses incurred by these utilities as a result of such lawsuits.

Contesting an exercise of condemnation, eminent domain or other similar process, or responding to a citizen petition, may result in costly legal proceedings and may divert the attention of management. Moreover, our efforts to resist the condemnation, eminent domain or other process may not be successful, which may require us to sell the operations at issue in a condemnation proceeding or to pay a private property owner compensation for the property damage suffered. If a municipality or other government subdivision succeeds in acquiring the assets of one or more of our Regulated Businesses through eminent domain or other process, there is a risk that we will not receive adequate compensation for the business, that we will not be able to keep the compensation, or that we will not be able to divest the business without incurring significant charges. Any of these outcomes may have a material adverse effect on our business, results of operations, financial condition, cash flows and liquidity.

We may be subject to physical and cyber attacks.

As operators of critical infrastructure, we may face a heightened risk of physical and cyber attacks from internal or external sources. Our water and wastewater systems may be vulnerable to disability or failures as a result of physical or cyber attacks, acts of war or terrorism, vandalism or other causes. Our operational and technology systems throughout our businesses may be vulnerable to unauthorized external or internal access, due to hacking, viruses, acts of violence, war or terrorism, and other causes. Unauthorized access to confidential information located or stored on these systems could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Further, third parties, including vendors, suppliers and contractors, who perform certain services for us or administer and maintain our sensitive information, could also be targets of cyber attacks and unauthorized access to their operational or technology systems. While we have instituted what we believe are reasonable and appropriate safeguards to protect our operational and technology systems, those safeguards may not always be effective due to the evolving nature of cyber attacks and cyber vulnerabilities. We cannot guarantee that such protections will be completely successful to prevent or mitigate a cyber attack.

If, despite our security measures, a significant physical attack or cyber breach occurred, our operations could be disrupted, property damaged, and customer and other confidential information lost or stolen; we could experience substantial loss of revenues, response costs and other financial loss; we could suffer a loss or redirection of management time, attention and resources from our regular business operations; we may be subject to increased regulatory requirements; and we may experience litigation and damage to our reputation, any of which could have a negative impact on our business, results of operations and cash flows. Applicable laws and regulations or contracts may require us to report cybersecurity incidents or breaches or securely maintain confidential data in the event that we experience a physical or cyber security incident. Our efforts to comply with such laws and regulations or contractual provisions, or our failure to do so, may cause us to incur costs related to legal claims or proceedings and regulatory fines or penalties. These types of events, and their resulting impacts, either to our facilities or assets, those of third parties, or the industry in general, could also cause us to incur additional security and insurance related costs. In addition, in the ordinary course of business, we collect and retain sensitive information, including personally identifiable information, about our customers and employees. In many cases, we outsource administration of certain functions to vendors that have been and will continue to be targets of cyber attacks. Any theft, loss or fraudulent use of customer, employee or proprietary data as a result of a cyber attack on us or a vendor could also subject us to significant litigation, liability and costs, as well as adversely impact our reputation with customers and regulators, among others.

We have obtained insurance to provide coverage for a portion of the losses and damages that may result from a physical attack, cyber attack or a security breach, but such insurance is subject to a number of exclusions and may not cover the total loss or damage caused by an attack or a breach. In the future, adequate insurance may not be available at rates that we believe are reasonable, and the costs of responding to and recovering from a physical attack, cyber attack or security breach incident may not be covered by insurance or recoverable in rates.

Our business is subject to complex and evolving federal, state and local laws and regulations regarding consumer privacy and the protection or transfer of data relating to individuals, which could result in, among other things, public disclosure of incidents, private or governmental claims or litigation against us, changes to our business practices, monetary penalties, reputational harm and increased cost of operations.

Laws and regulations are changing and increasing rapidly with respect to data and consumer privacy, security and protection. We are subject to an increasing number of complex and continually evolving data and consumer privacy, security and protection laws and regulations administered by various federal, state and local governments, including, for example, the California Privacy Rights Act, together with its amendments and implementing regulations, the Virginia Consumer Data Protection Act and the Cyber Incident Reporting for Critical Infrastructure Act of 2022. New laws and regulations may require us to disclose incidents to authorities, regulators and/or the public, when we otherwise may not have been required to disclose such incidents under previous laws and regulations, and such disclosures could negatively and materially impact our reputation, customers, employees, suppliers and other third parties. Federal and state governments have also adopted or are proposing other limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information. In addition, the Federal Trade Commission and state attorneys general are applying federal and state consumer protection laws to impose standards on the collection, use and dissemination of data. Moreover, we expect that current laws, regulations and industry standards concerning privacy, data protection and information security in the United States will continue to evolve and increase, and we cannot determine the impact that compliance with such future laws, regulations or standards will have on us or on our business. Any failure or perceived failure by us to comply with current or future federal, state, or local data or consumer privacy or security laws, regulations, policies, guidance, industry standards, or legal obligations, or any incident resulting in unauthorized access to, or the acquisition, release, or transfer of, personally identifiable information or other data relating to our customers, employees and others, may result in private or governmental enforcement actions, litigation or other claims against us, fines and penalties, or adverse perception or publicity about us and our businesses. These events could also require us to change our business practices, and the events or such changes may result in significant diversions of resources, distract management and divert the focus and attention of our security and technical personnel from other critical activities. Any of the foregoing consequences could have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows and liquidity.

We may sustain losses that exceed or are excluded from our insurance coverage or for which we are self-insured.

We maintain insurance coverage, some of which may be self-insured, as part of our overall legal and risk management strategy to minimize potential liabilities arising from our operations. Our insurance programs have varying coverage limits, exclusions and maximums, and insurance companies may seek to deny claims we might make. Generally, our insurance policies cover property damage, worker's compensation, employer's liability, general liability, cybersecurity, terrorism risks and automobile liability. Each policy includes deductibles or self-insured retentions and policy limits for covered claims. As a result, we may sustain losses that exceed or that are excluded from our insurance coverage, or for which we are self-insured and must therefore utilize our own financial resources to cover such losses. Although in the past we have been generally able to obtain insurance coverage related to our business, there can be no assurance that we can secure all necessary or appropriate insurance in the future, or that such insurance can be economically secured. For example, catastrophic events can result in decreased coverage limits, more limited coverage, increased premium costs or deductibles.

We rely on technology to facilitate the management of our business as well as our customer and supplier relationships, and a failure or disruption of implemented technology could materially and adversely affect our business.

Technology is an integral part of our business and operations, and any failure or disruption of the technology or related systems we implement could significantly limit our ability to manage and operate our business effectively and efficiently, which, in turn, could cause our business and competitive position to suffer and adversely affect our results of operations. We use technology systems to, among other things, bill customers, process orders, provide customer service, manage certain plant operations and construction projects, create and manage our financial records and other operational data, track assets, remotely monitor our plants and facilities, and manage human resources, supply chain, inventory, and accounts receivable collections. As a specific example, we depend on water meters to record and communicate the amount of water our customers use, which information in turn is used to generate customer bills, and in recent years, we have experienced greater than expected performance failures with certain water meters used in the Regulated Businesses. When failures occur, we work with meter manufacturers to determine and address the cause of such failures. While these and other failures that we have experienced have not to date had a material adverse effect on our operations, there can be no assurance that efforts to address performance failures or other issues we may experience with water meters or other implemented technology will be successful in the future and that these or future failures of water meters or other technological issues will not have a material adverse effect on us.

Although we do not believe that the technology we have implemented or may in the future implement is at a materially greater risk of failure than that used by other similar organizations, our technology and operations that use or rely on technology remain vulnerable to damage or interruption from, among other things: failure or interruption of the technology or its related systems; loss or failure of power, internet, telecommunications or data network systems; and operator error or improper operation by, the negligent or improper supervision of, or the intentional acts of, employees, contractors and other third parties. Any or all of these events could have a material adverse impact on our business, results of operations, financial condition and cash flows.

An inability to successfully develop and implement new technologies poses substantial risks to our business and operational excellence strategies, which could have a material adverse effect on our business and financial results.

A significant part of our long-term strategic plan focuses on safety, operational excellence, cost and expense efficiency (including O&M expense efficiency), water quality and affordability, asset and capital management and the customer experience. For example, we have made and plan to continue to make significant investments in developing, deploying, integrating, enhancing and maintaining customer-facing technologies, applications to support field service and customer service operations, water source sensor and evaluation technologies, meter data management and analytics, and intelligent automation technologies. There can be no assurance that we will be successful in designing, developing, deploying, integrating or maintaining these new technologies. Because these efforts can be long-term in nature, these new technologies may be more costly or time-consuming than expected to design, develop, integrate and complete and may not ultimately deliver the expected or desired benefits upon completion. While we have and will continue to seek to recover costs and earn a return on capital expenditures with respect to the costs and expenses of development and deployment of these new technologies in our Regulated Businesses, there can be no assurance that we will be able to do so in every instance or at all, and our inability to do so may adversely affect our ability to achieve intended cost and expense, including O&M expense, efficiencies or other key performance results and, ultimately, could materially and adversely impact our business, financial condition, results of operations and cash flows.

Our inability to efficiently upgrade and improve our operational and technology systems, or implement new systems, could result in higher than expected costs or otherwise adversely impact our internal controls environment, operations and profitability.

Upgrades and improvements to computer systems and networks, or the implementation of new systems, may require substantial amounts of management's time and financial resources to complete, and may also result in system or network defects or operational errors due to multiple factors, including employees' ability to effectively use the new or upgraded system. We have implemented, and will continue to implement, technology to improve our business processes and customer interactions (including, without limitation, in connection with the installation or upgrade of our enterprise resource planning systems, and to support our cybersecurity program), and have installed new, and upgraded existing, technology systems. Any technical or other difficulties in upgrading and improving existing or implementing new technology systems may increase costs beyond those anticipated and have an adverse or disruptive effect on our operations and reporting processes, including our internal control over financial reporting. We may also experience difficulties integrating current systems with new or upgraded systems, which may impact our ability to serve our customers effectively or efficiently. Although we make efforts to minimize any adverse impact on our controls, business and operations, we cannot assure that all such impacts have been or will be mitigated, and any such impacts could harm our business (individually or collectively) and have a material adverse effect on our results of operations, financial condition and cash flows.

Disruptions in our supply chain related to goods, such as pipe, chemicals, power and other fuel, equipment, water and other raw materials, and services, could adversely impact our operations and our ability to serve our customers, as well as our financial results.

Our ability to serve our customers and operate our business in compliance with regulatory requirements is dependent upon purchasing or securing necessary goods and services from our suppliers and vendors. These items include but are not limited to

contracted services, chemicals, pipe, valves, hydrants, fittings, equipment (including personal protective equipment), water, and power and other fuel. Examples of supply chain disruptions include reduced quantities of goods available in the marketplace, delays in manufacturing or shipping goods, labor shortages at our suppliers or vendors, natural or other disasters and operational impacts to some of our suppliers or vendors. Disruptions in our supply chain related to goods and services have occurred and we anticipate will continue to occur into the foreseeable future.

Supply chain disruptions may cause us to be unable to purchase or otherwise obtain needed goods or services at a reasonable price or at all, and may significantly increase the price of goods and services we may obtain from suppliers and vendors. This, in turn, may adversely impact our operations and our ability to serve our customers in compliance with regulatory requirements, as well as our associated results of operations, cash flows and financial condition. While we attempt to plan for and have contingencies in place to address supply chain disruptions, our mitigation efforts may not be successful or may have further negative impacts on us.

Our business has inherently dangerous work sites. If we fail to maintain safe work sites, we may experience workforce or customer injuries or loss of life, and be exposed to financial losses, including penalties and other liabilities.

Safety is a core value and a strategy at American Water. Our safety performance and progress to our ultimate desired goal of zero injuries are critical to our ability to carry out our operations effectively and to serve our customers, and thereby, to support our reputation. We maintain health and safety practices to protect our employees, customers, contractors, vendors and the public.

At our business sites, including construction and maintenance sites, our employees, contractors and others are often in close proximity to large mechanical operating equipment, moving vehicles, pressurized water, electric and gas utility lines, below grade trenches and vaults, electrical and pneumatic hazards, fall from height hazards, suspended loads, hazardous chemicals and other regulated materials. On many sites, we are responsible for safety and, accordingly, must implement important safety procedures and practices above governmental regulatory requirements. As an essential business that provides water and wastewater services, we are focused on the health and safety of our employees, contractors, vendors, customers and others who work at or visit our worksites. If the procedures we implement are ineffective or are not followed by our employees, contractors or others, or we fail to implement procedures, our employees, contractors and others may experience illness, or minor, serious or fatal injuries. Unsafe work sites have the potential to increase employee turnover, expose us to litigation and raise our operating costs. Any of the foregoing could result in financial losses, which could have a material adverse impact on our business, financial condition, results of operations and cash flows.

In addition, our operations can involve the delivery, handling, storage, use and disposal of hazardous chemicals, which, if improperly delivered, handled, stored, used or disposed of, or if the location and identification of these chemicals are not reported accurately or timely, serious injury, death, environmental damage or property damage could result, and we could be subjected to fines, penalties or other liabilities. We are also subject to various environmental, transportation and occupational health and safety regulations. Although we maintain functional employee groups whose primary purpose is to implement effective environmental health and safety work procedures and practices throughout our organization, including construction sites and operating facilities, the failure to comply with these regulations or procedures could subject us to liability.

Work stoppages and other labor relations matters could adversely affect our results of operations and the ability to serve our customers.

As of December 31, 2023, approximately 47% of our workforce was represented by unions, and we had 73 collective bargaining agreements in place with 14 different unions representing our unionized employees. These collective bargaining agreements, 21 of which are scheduled to expire during 2024, are subject to periodic renewal and renegotiation. We may not be able to successfully renew or renegotiate these labor contracts, or enter into new agreements, on terms that are acceptable to us. Any negotiations or dispute resolution processes undertaken in connection with our labor contracts could be delayed or affected by labor actions or work stoppages. Labor actions, work stoppages or the threat of work stoppages, and our failure to obtain favorable labor contract terms during renegotiations, may disrupt our operations, negatively impact the ability to serve our customers, and result in higher labor costs, which could adversely affect our reputation, financial condition, results of operations, cash flows and liquidity. While we have developed contingency plans to be implemented as necessary if a work stoppage or strike does occur, a strike or work stoppage may have a material adverse impact on our financial position, results of operations and cash flows.

Financial, Economic and Market-Related Risks

Our indebtedness could adversely affect our business and limit our ability to plan for or respond to changes in our business, and we may be unable to generate sufficient cash flows to satisfy our liquidity needs.

As of December 31, 2023, our aggregate long-term and short-term debt balance (including preferred stock with mandatory redemption requirements) was $12.4 billion, and our working capital (defined as current assets less current liabilities) was in a deficit position. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital requirements or capital expenditures;