

Tennessee



AMERICAN WATER
NYSE: AWK

INVESTOR DAY
December 15, 2015

Greg Panagos

Vice President of Investor Relations



Today's Agenda

Safety Moment

Forward-Looking Statements

Certain statements in this presentation including, without limitation, 2015 earnings guidance and estimated revenues from rate cases and other government agency authorizations, are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are predictions based on American Water's current expectations and assumptions regarding future events. Actual results could differ materially because of factors such as the decisions of governmental and regulatory bodies, including decisions to raise or lower rates; the timeliness of regulatory commissions' actions concerning rates and other matters; changes in laws, governmental regulations and policies, including environmental, health and water quality, and public utility regulations and policies; potential costs and liabilities of American Water for environmental matters associated with the operations of Keystone Clearwater Solutions, LLC; the outcome of litigation and government action including with respect to the Freedom Industries chemical spill in West Virginia; weather conditions, patterns or events or natural disasters, including drought or abnormally high rainfall, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes and tornadoes, and cooler than normal temperatures; changes in customer demand for, and patterns of use of, water, such as may result from conservation efforts; its ability to appropriately maintain current infrastructure, including its technology systems, and manage the expansion of its business; its ability to obtain permits and other approvals for projects; changes in its capital requirements; its ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional acts of a third party, including contamination of its water supplies and attacks on its computer systems; its ability to obtain adequate and cost-effective supplies of chemicals, electricity, fuel, water and other raw materials that are needed for its operations; its ability to successfully acquire and integrate water and wastewater systems that are complementary to its operations; its ability to successfully expand its business, including concession arrangements and agreements for provision of water services in shale regions for exploration and production; cost overruns relating to improvements or the expansion of its operations; changes in general economic, business and financial market conditions; access to sufficient capital on satisfactory terms; fluctuations in interest rates; the effect of restrictive covenants or changes to credit ratings on its current or future debt that could increase its financing costs or affect its ability to borrow, make payments on debt or pay dividends; fluctuations in the value of benefit plan assets and liabilities that could increase financing costs and funding requirements; the ability to utilize its U.S. and state net operating loss carryforwards; migration of customers into or out of its service territories and the condemnation of its systems by municipalities using the power of eminent domain; difficulty in obtaining insurance at acceptable rates and on acceptable terms and conditions; its ability to retain and attract qualified employees; labor actions including work stoppages and strikes; the incurrence of impairment charges related to American Water's goodwill or other assets; and civil disturbance, terrorist threats or acts, or public apprehension about future disturbances or terrorist threats or acts.

For further information regarding risks and uncertainties associated with American Water's business, please refer to American Water's annual and quarterly SEC filings. The company undertakes no duty to update any forward-looking statement, except as otherwise required by the federal securities laws.

Today's Agenda and Speakers:



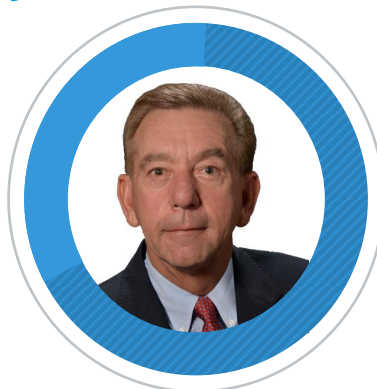
Strategy Overview:
Susan Story



Regulated Operations:
Walter Lynch



American Water Enterprises
Sharon Cameron



Keystone Clearwater Solutions:
Ned Wehler



2015 Financial Overview:
Linda Sullivan

Susan Story

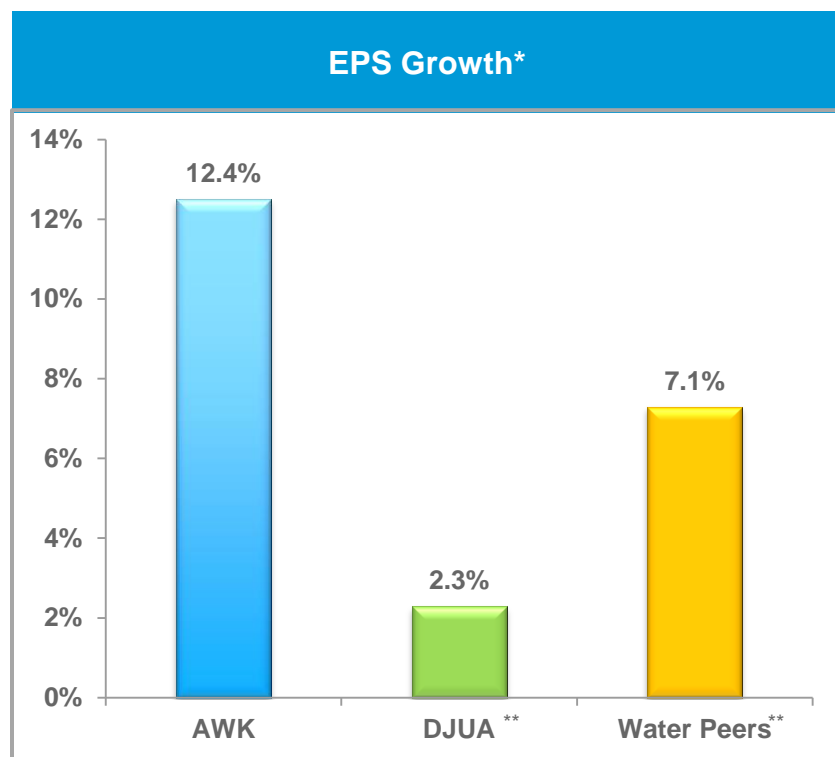
President and Chief Executive Officer



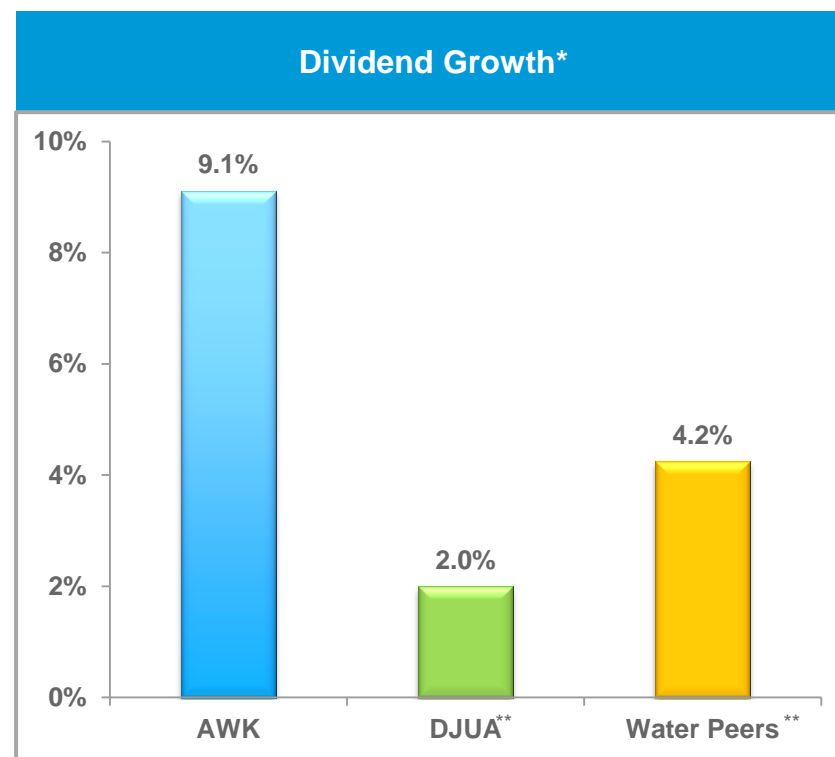
Overview

Utility Markets Today

Demonstrated Superior Performance vs Peers: 2010-2015 Results in Leading Total Shareholder Returns



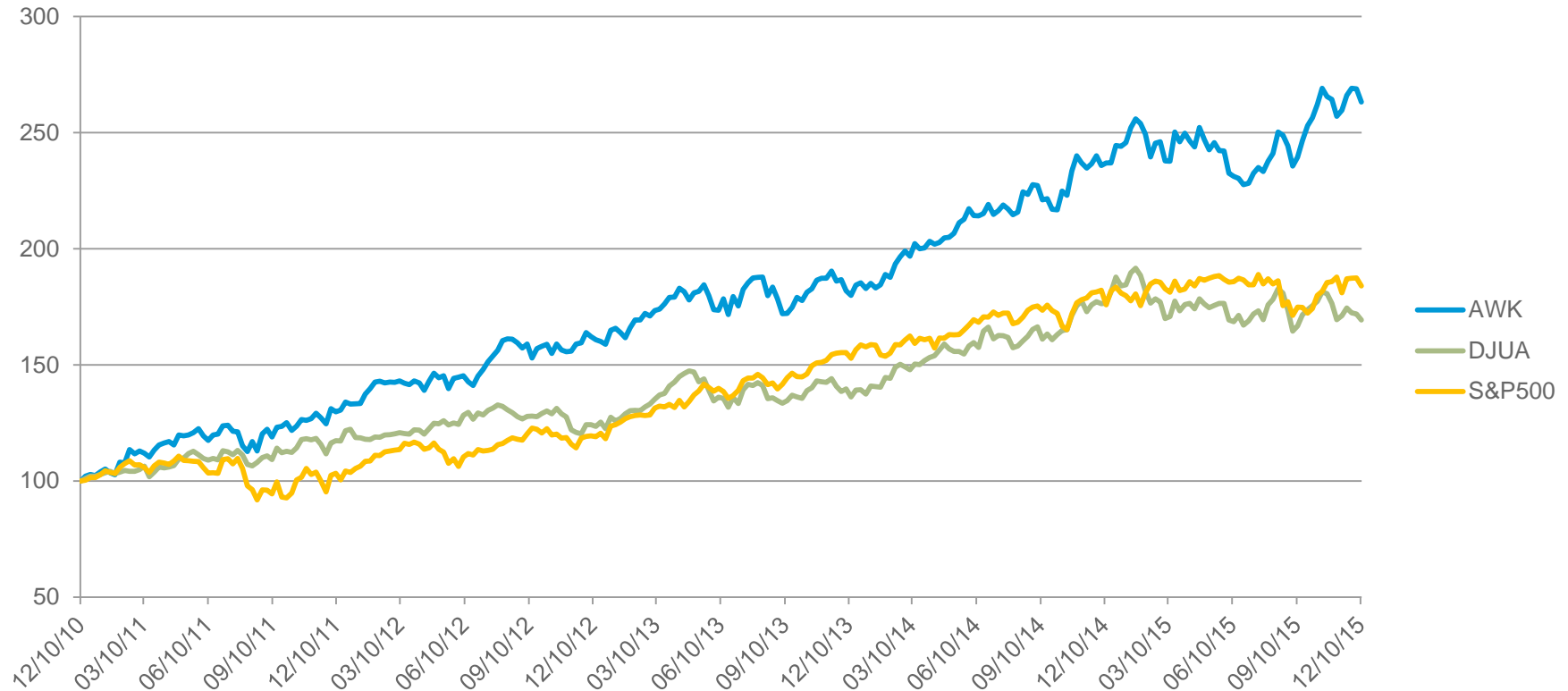
Source: Factset



*2015 EPS and dividends are based on year-to-date actuals through September 30 plus fourth quarter Factset consensus estimates.

**DJUA includes: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO. Water peers include: AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW.

Leading Total Shareholder Return



\$100 investment in AWK 5 years ago, would be worth over \$260 today.

Why American Water?

AWK

Growth

- EPS growth 7-10%, over next 5 years*
- Multi-decade investment needs
- Fragmented market

- ✓ Top quartile
- ✓ Clear line of sight
- ✓ Water & wastewater

People & Business Model

- Strong local presence and national scale
- Regulatory expertise
- Strong record of execution
- Broad and diversified experience
- Strong bench strength

- ✓ Personalized economies of scale
- ✓ Seasoned state leaders
- ✓ 2010-2015 EPS CAGR of 12.4%
- ✓ Multi-utility backgrounds
- ✓ Robust succession planning

Risk Profile

- Smooth regulated capital deployment
- Absence of federal economic regulation
- Geographic diversity
- Market-based complementary businesses

- ✓ Flexible and sustainable
- ✓ Unlike electrics and gas
- ✓ Most diverse utility
- ✓ Regulated-like

Financial Strength

- Dividend growth
- Strong credit ratings/access to capital
- Greater than \$10 billion market cap
- Strong cash flows

- ✓ Top quartile
- ✓ Top quartile
- ✓ Only water utility >\$10B
- ✓ No need to issue equity**

* Anchored from 2014, adjusted EPS

** Under normal operating conditions

**Top-quartile
Growth**

Low Risk

**Strong
Financials**

**Best
People**

AWK

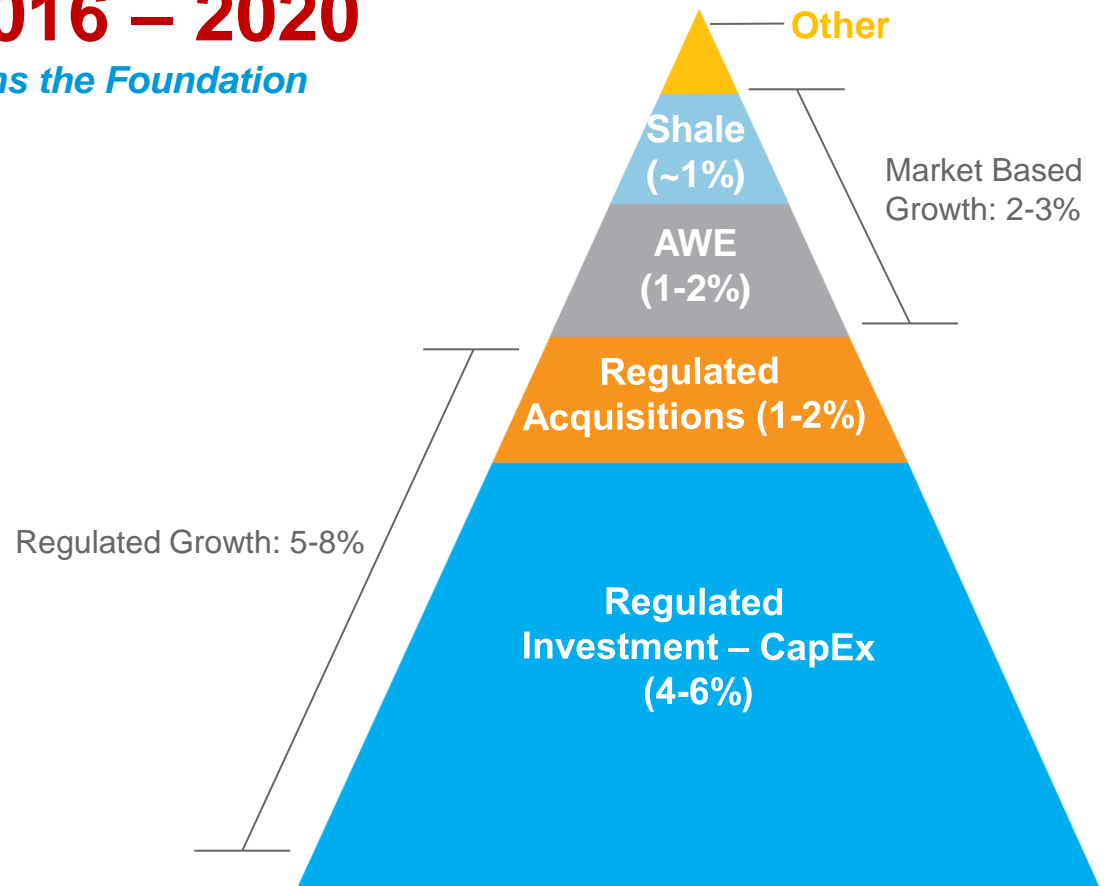
Our Future: EPS Growth Target of 7-10% from 2016 – 2020

Our Regulated Business Remains the Foundation

- Great investment opportunity
- Outstanding execution
- Best people in the industry

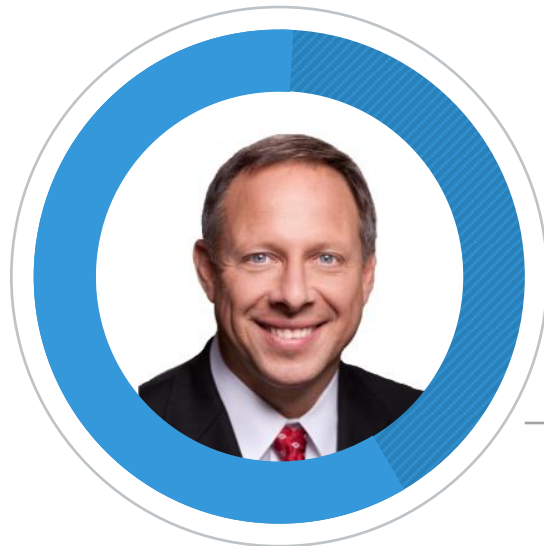
**Anchored from adjusted FY 2014.*

2016 – 2020 Plan*

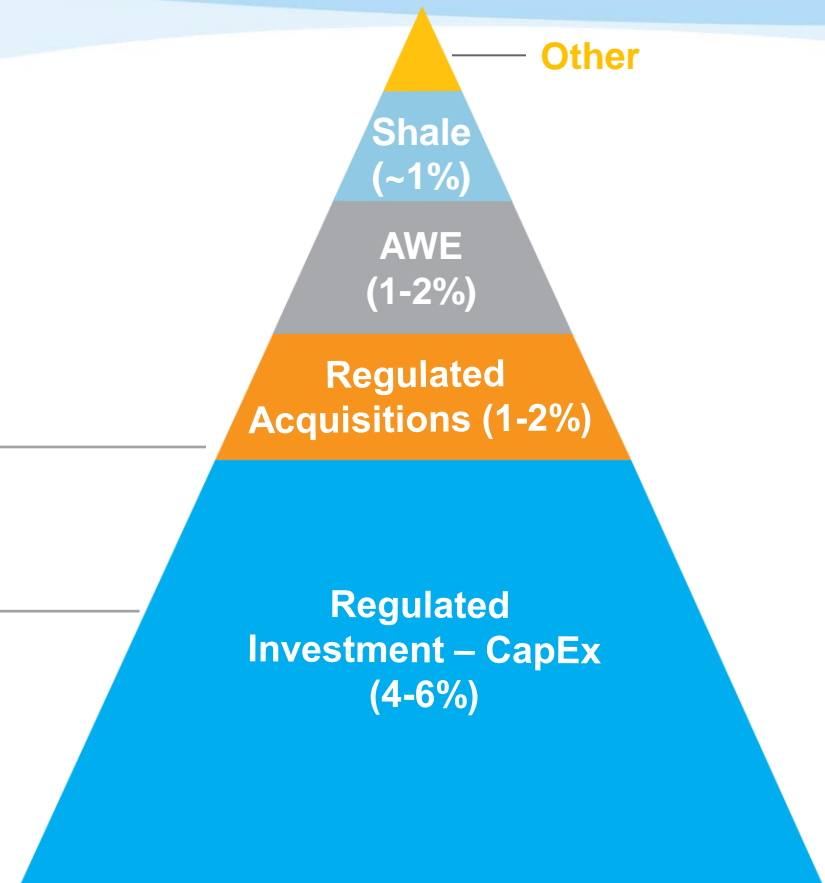


Walter Lynch

President and Chief Operating Officer
Regulated Operations



Regulated Growth:
5 - 8%



The Dominant Player in the Water Industry



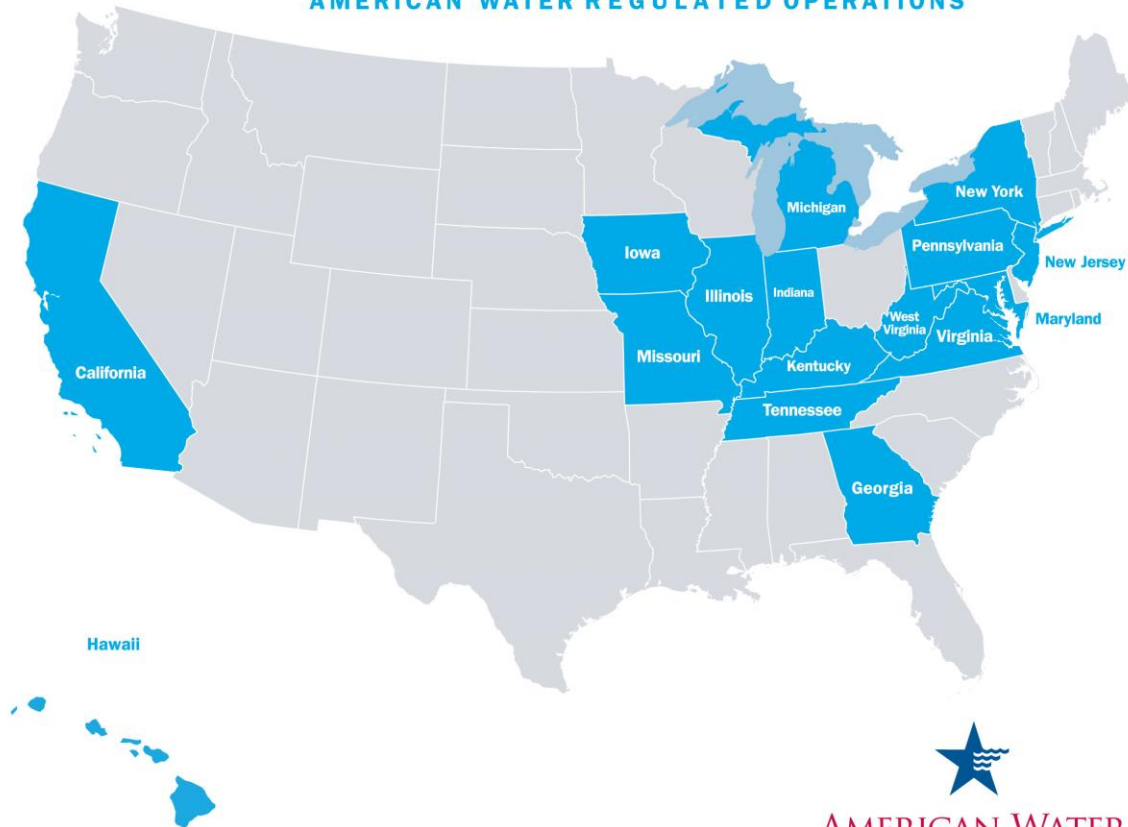
We manage more than **370** individual water systems across the country

Every day we operate and manage:

- **48,000** miles of distribution and collection mains
- **81** surface water treatment plants
- **89** dams
- **100** wastewater treatment facilities
- **500** groundwater treatment plants
- **1,000** groundwater wells
- **1,200** treated water storage facilities
- **1,300** pumping stations

Our Geographic Diversity is a Key Competitive Advantage

AMERICAN WATER REGULATED OPERATIONS



State	FY 2014 Revenues (\$ mm)	% of Total
New Jersey	\$652	25%
Pennsylvania	605	23%
Missouri	270	10%
Illinois	262	10%
California	210	8%
Indiana	201	7%
West Virginia	127	5%
Other	347	12%
Total Regulated Business	\$2,674	100%

Strong Leadership with Extensive Water Experience



Alan DeBoy
VP Opr. Excellence



Bruce Hauk
President, Illinois



Rob Maclean
President,
California/Hawaii



Cheryl Norton
President, Missouri



Kathy Pape
Sr. VP Mid-Atlantic
Division and
President, Pennsylvania



Nick Rowe
Sr. VP Central
Division and
President, Kentucky



Karla Teasley
VP Customer Svc



Bill Varley
Sr. VP Northeast
Division and
President, New Jersey

Combined **200 Years** of regulated water utility experience!

Critical Need for Investments

- By 2020, 44% of U.S. pipe infrastructure to be classified as poor, very poor, or life elapsed...
... *We replace about 350 miles of pipe each year*
- In USA 2 trillion gallons of treated water is lost each year...
... *Our water loss is 20% vs. industry average 25%*
- 900 billion gallons of untreated sewage is discharged every year...
... *Invested \$175M in wastewater infrastructure since 2010*
- Nationwide \$1 trillion is required in water and wastewater systems over the next 20 years...
... *multi-decade investment need*



Our **48,000 miles** of pipe would stretch around the world twice



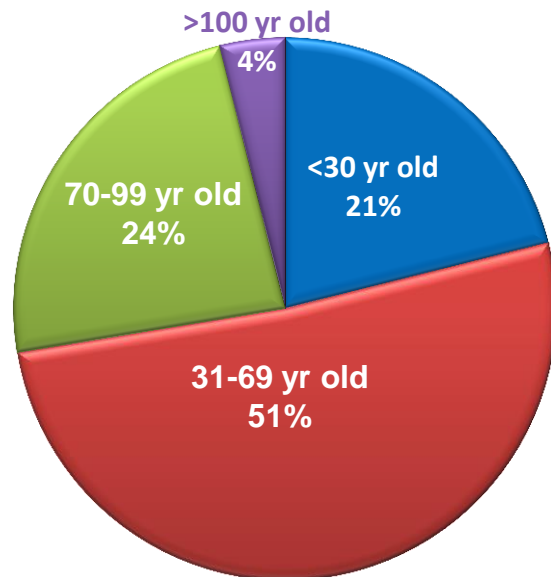
Wooden water pipes



Corroded water pipe

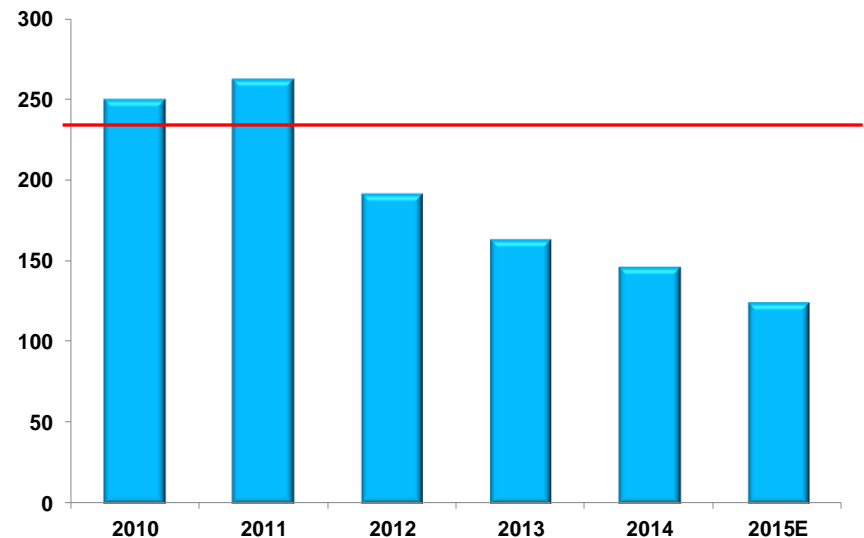
Multi-decade Investment Need

Pipe Age Distribution – AW System



Over 25% of pipes are 70 years or older

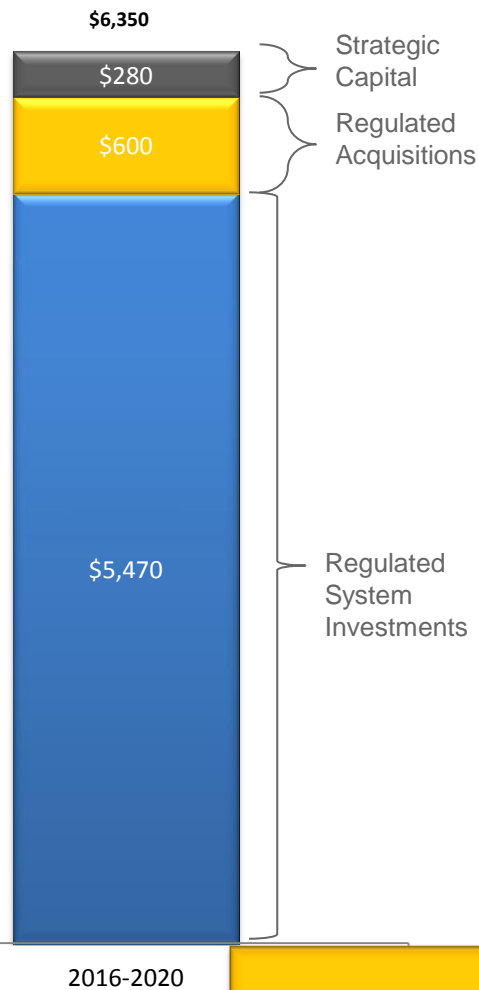
American Water Pipe Replacement Rate
(in years)



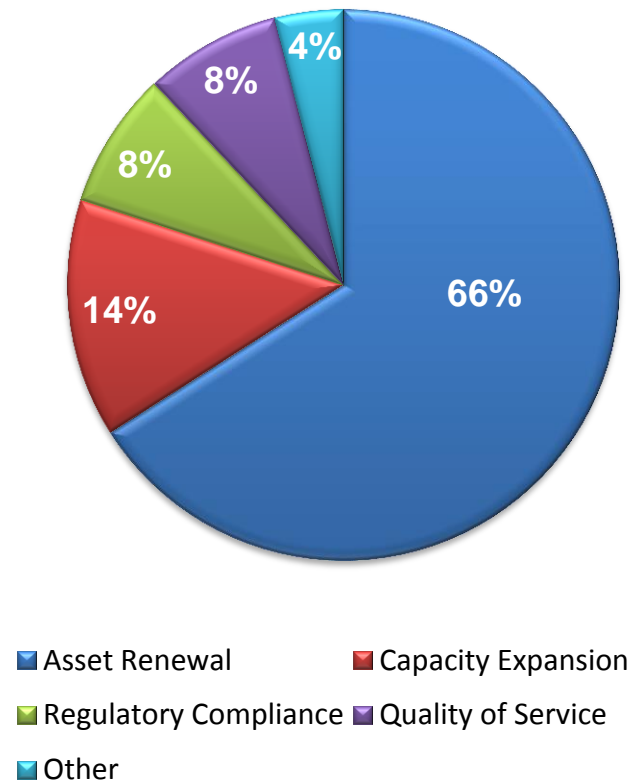
Pipe Replacement rate is shortening

\$6.4 Billion of Investments From 2016 – 2020

\$5.5 Billion of Regulated System Investments

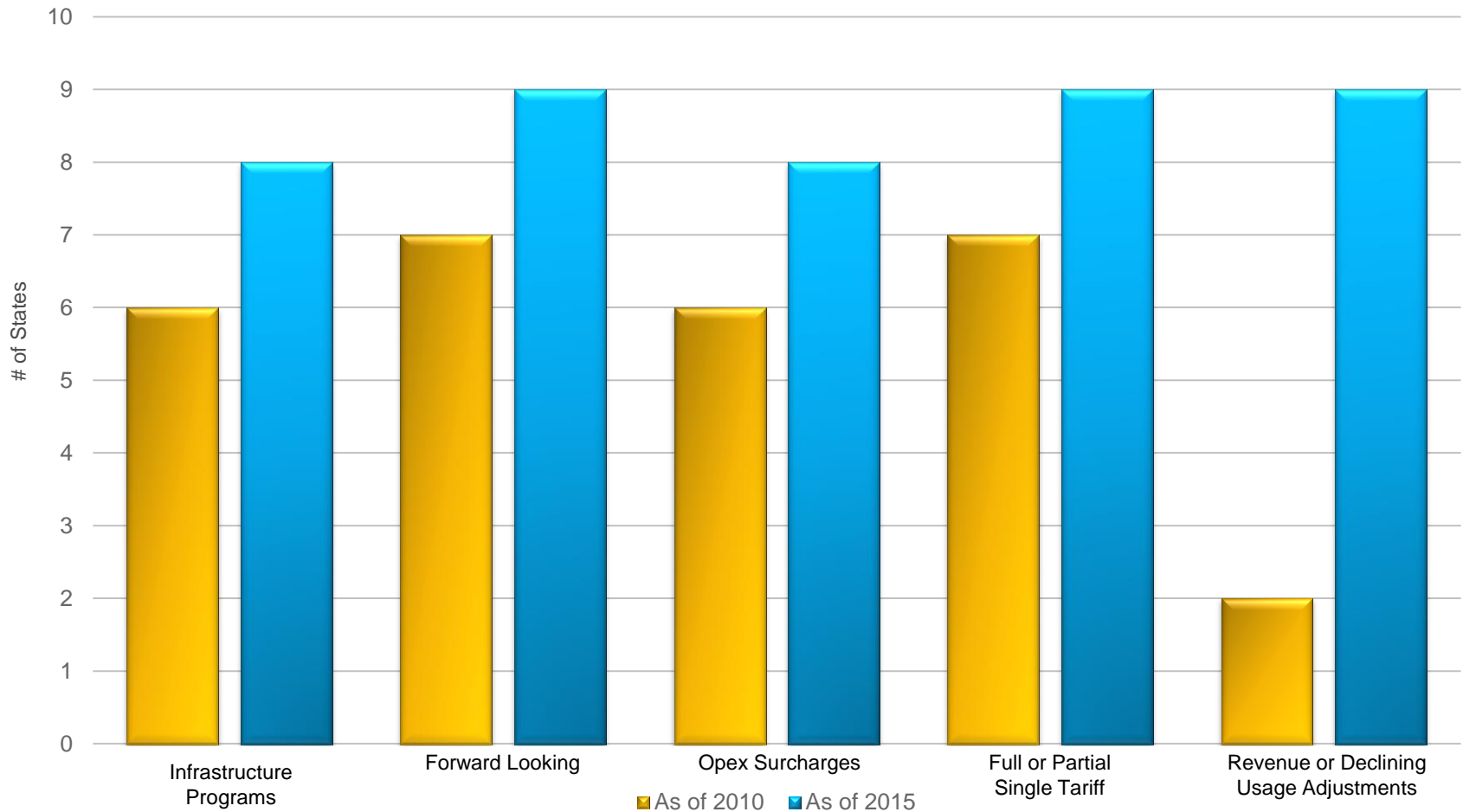


2016 - 2020 Average Regulated Capital Expenditures by Purpose



~\$3.6B Toward Asset Renewal

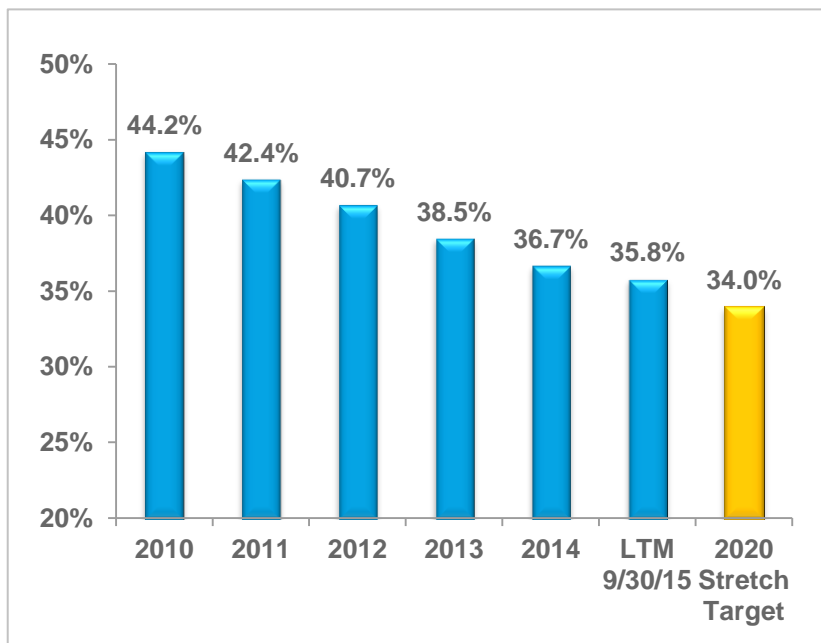
More Timely Return on Investment Supports Customers' Best Interests



15 New Regulatory Mechanisms Across Our Footprint Since 2010

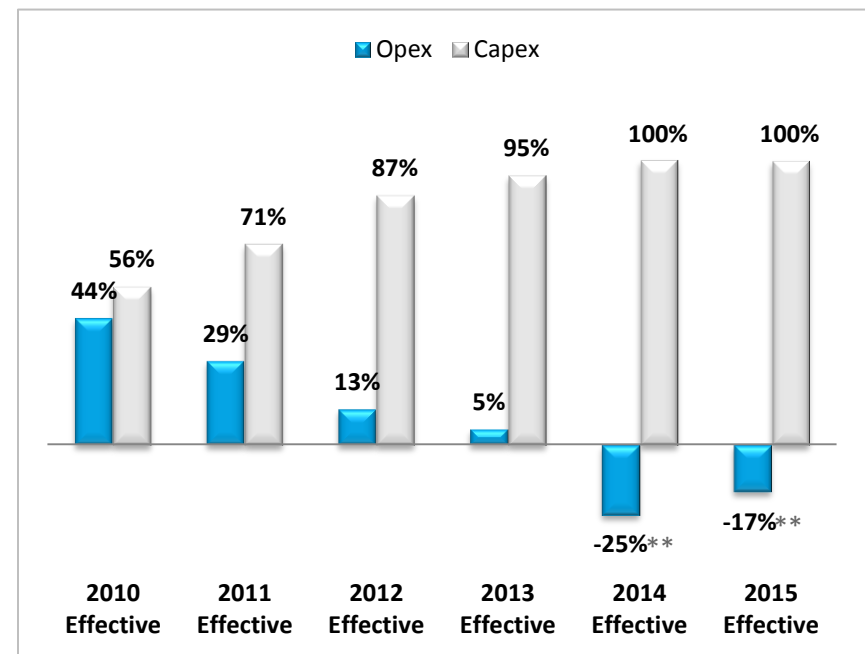
O&M Efficiency Creates Running Room to Invest

O&M Efficiency Ratio
Stretch Target of 34% by 2020



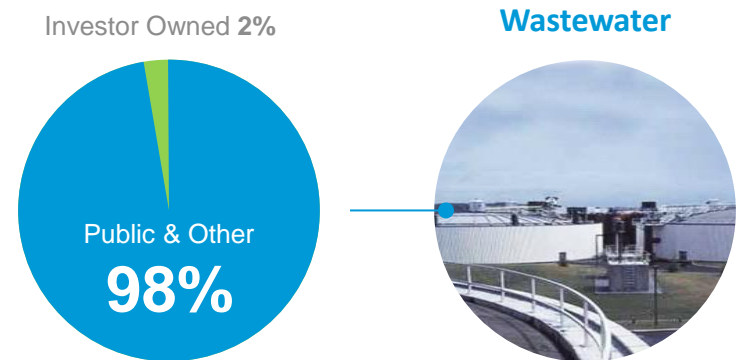
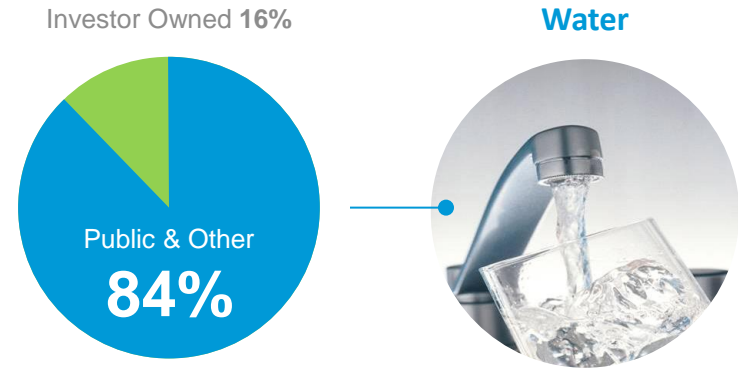
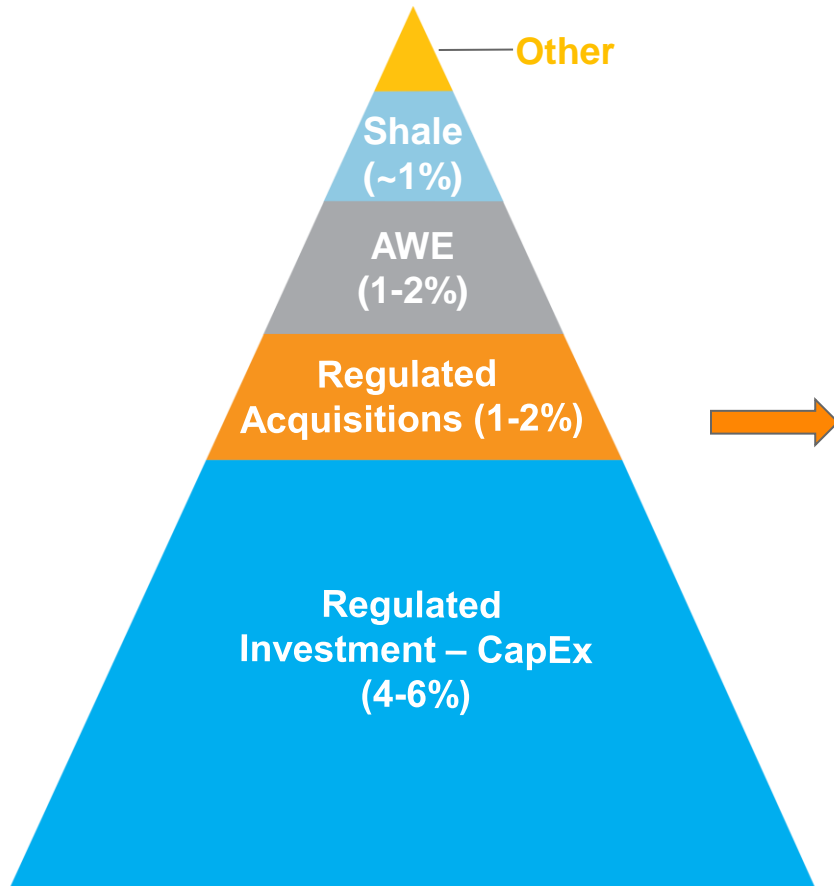
Note:
O&M Efficiency Ratio - Non GAAP Measure – See appendix for reconciliation.

Incremental Revenue Requirement*
-Increases Attributable to Opex vs. Capex-



Note:
* Approximation in states where we reached settlement.
** For general rate cases effective in 2014 and 2015, the incremental revenue requirement was reduced by 25% and 17%, respectively. This amount represents the additional capital that could be invested without impact to customer bills.

Highly Fragmented Water Industry Creates Opportunity



The majority of water systems in the US are owned by capital constrained entities

Enabling Growth and Consolidation: Eight States



Act 11:

- HB 1294, Effective Feb 14, 2012
- Single tariff for water and wastewater
- Enables inclusion of wastewater rates into overall rates



Water Infrastructure Protection Act:

- S-2412, Effective Feb 5, 2015
- Streamlines the approval process for sales (no ballot question required)
- Third party appraisal for valuing water and wastewater assets



Distressed Utility Acquisition Bill:

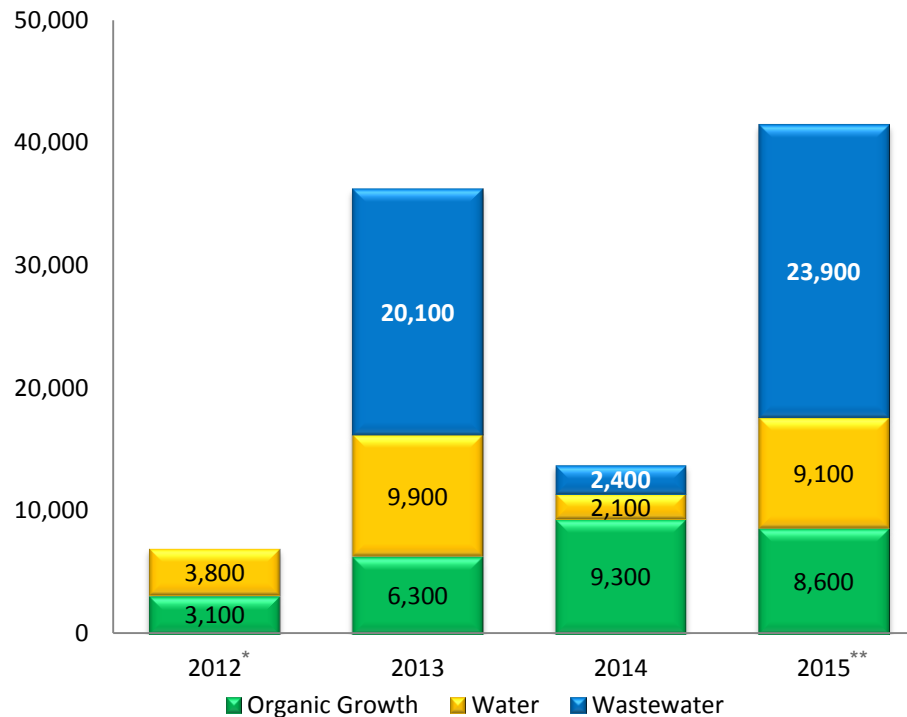
- House Enrolled Act 1319, Effective July 1, 2015
- Enables regulatory authority to approve purchase price cost differential recovery associated with troubled (distressed) utilities

Other States With Similar Acquisition Adjustments:



Since 2010, 5 states have added new legislation supporting industry consolidation

Adding Customers Through Acquisitions and Organic Growth



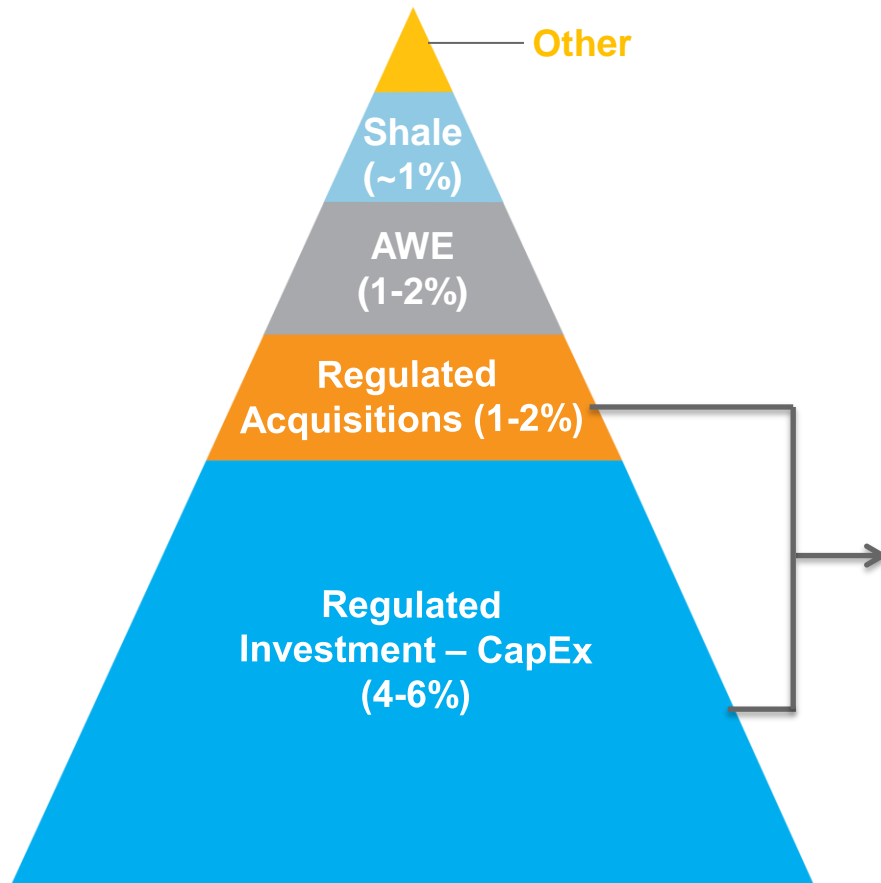
State	Approximate Customer Connections
Target A	31,000
Target B	20,000
Target C	19,000
Target D	12,500
Target E	12,500
Target F	11,000

Of 3.26 million customers, 3.10 million are water only

* Excludes acquisition of New York.

** 2015 Organic Growth calculated based on actual organic growth through September 30 plus historical three year trending analysis for the final quarter of 2015. 2015 acquisitions are based on transactions closed, as well as signed agreements that are pending regulatory action in 2015 and 2016.

Regulated Businesses | Going Forward.....

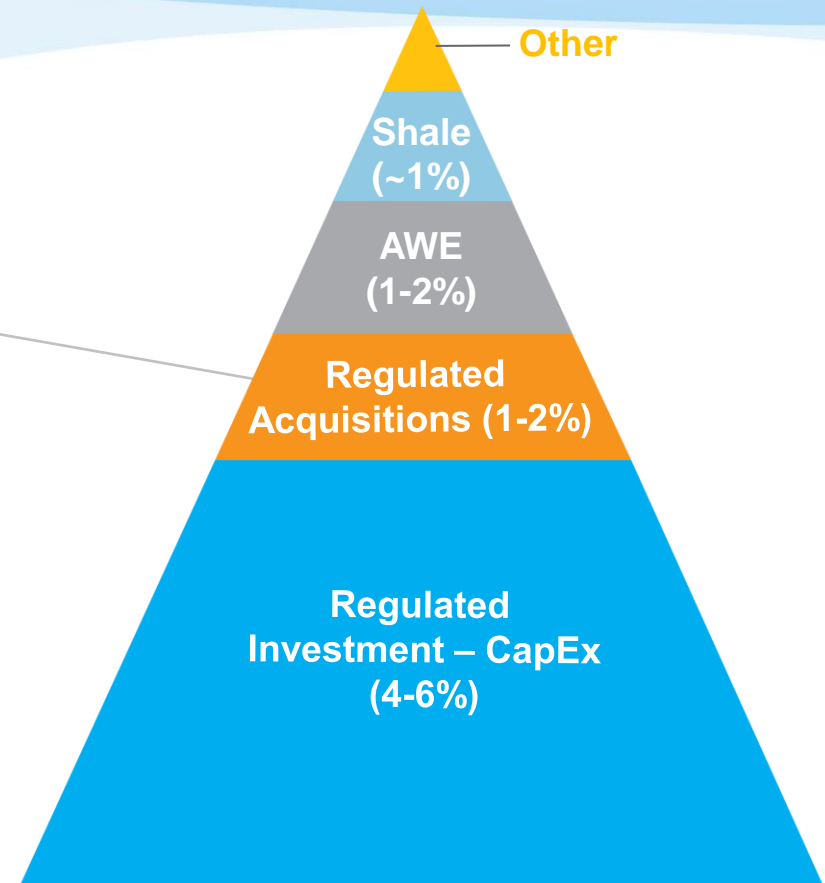


- We will invest about \$1.1B per year in our assets...
....*While keeping bill increases to ~2.6% on avg.**
- ❖ Pursue constructive regulatory mechanisms...
....*Timely return on investment*
- ❖ Leverage technology to become more efficient ...
....*O&M efficiency target of 34% by 2020*
- Pursue constructive acquisition legislation...
....*Focus on wastewater*

*Expected growth in average customer bills for five largest states of New Jersey, Pennsylvania, Indiana, Missouri and Illinois.

Sharon Cameron

President, American Water Enterprises



AWE Strengthens American Water



Financially:

- Accelerates growth by leveraging our core skills outside of our regulated footprint
- Regulated-like risk profile



Culturally:

- Increases customer satisfaction
- Develops new expertise that can benefit the regulated business
- Nurtures competitive-minded talent
- Builds the brand

Serving a Broad Range of Customers

Lines of Business



Military Services



Homeowner Services



Contract Services

Drivers of “Regulated-like” Results

- ☐ Long-term contracts & relationships
- ☐ Predictable, stable revenue
- ☐ Growing geographically diversified markets
- ☐ Low levels of capital investment

Military Services Group

Utility Privatization on U.S. Military Bases

Regulated Business Similarities:

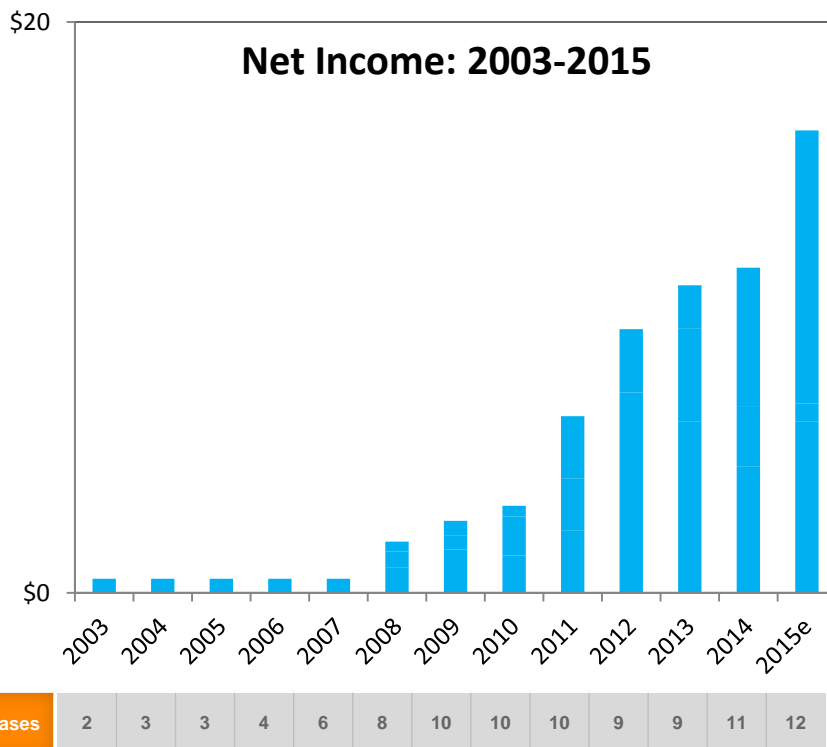
- Water & wastewater operations and capital improvements
- 50-year contract term
- Predictable revenue (not consumption based)
- Periodic price adjustments with defined rules
- Geographic diversity



Business Status:

- One customer = clear focus on their unique needs
- 12 contracts – most of any provider
- Growing - 33 new opportunities in next 10 years
- 4 AWWA Director awards for water system optimization
- 300 employees – 22% US Veterans
- Transitioning Vandenberg AFB
- Supporting customer with energy reduction projects

Military Services Historical Growth



Operating & Maintenance: 65%
 Infrastructure Upgrades: 25%
 Initial System Deficiency Correction: 10%

Current Opportunities:

- 12 bases with 38+ remaining years
- Infrastructure upgrades
- Win new bases
33 opportunities

Emerging Opportunities:

- Expand service delivery through federal sustainability order
reduce electricity use, conserve water, water reuse, geothermal
- Changing customer needs
storm water, drought, industrial wastewater treatment, changes in national defense platform

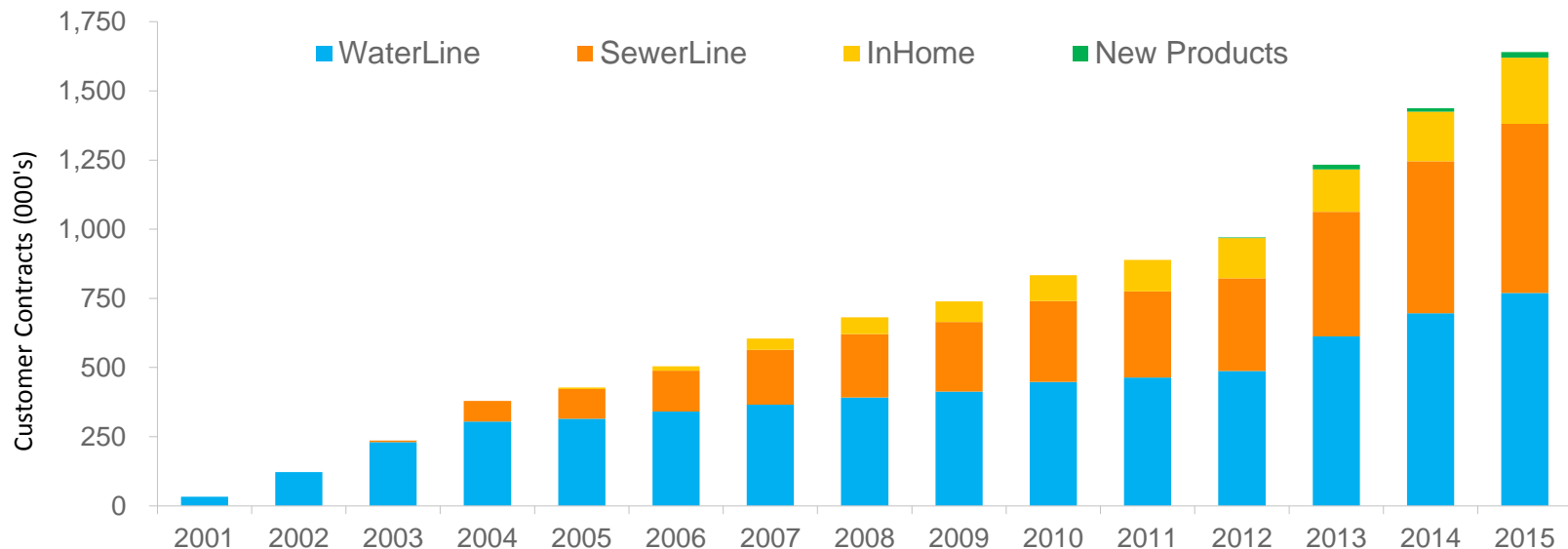
Homeowner Services

Regulated Business Similarities:

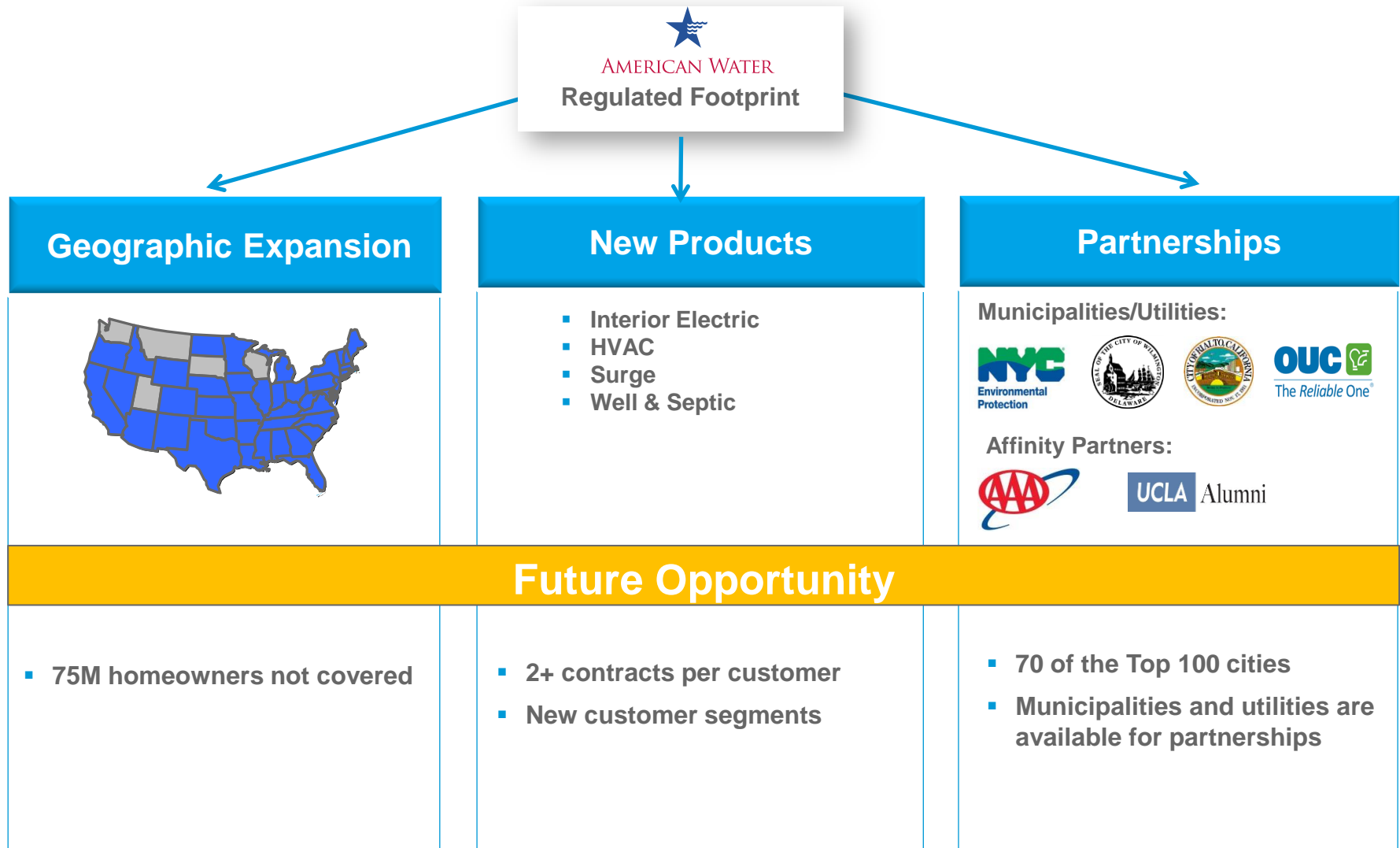
- Warranties - predictable subscription based revenue
- Geographic diversity
- Periodic price adjustments

Business Status:

- 780K customers; 1.6M contracts
- 97% customer satisfaction
- High retention rates
- “A+” Better Business Bureau rating
- 260 employees
- 43 states + Washington DC



Homeowner Services Growth Strategy



Contract Services Group

Solving Municipal, Commercial and Industrial Water and Wastewater Needs

Business Status

Key Municipal Clients

City of Phoenix
Seattle Public Utilities
Tampa Bay Water
Fulton County Georgia

Key Industrial Clients

Frito-Lay
JBS Swift
Coca-Cola
HEB Grocery
Hershey Chocolate

Services include:

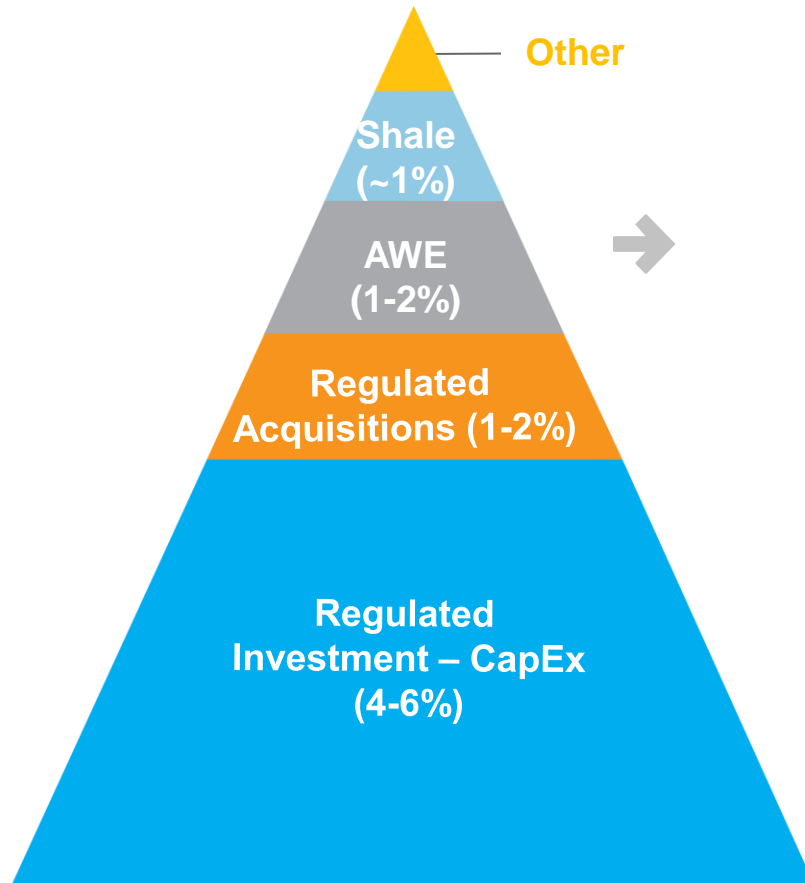
Water and wastewater O&M
Utility customer service
Wastewater reuse
Large scale seawater desalination

- 53 Contracts: 30 municipal, 10 industrial, 13 commercial
- Operate in 17 states plus Ontario
- 270 employees

Business Value

- Industry leader in commercializing emerging technologies
 - ✓ Rehabilitated, operate and maintain Tampa Bay Water desalination plant
 - largest in North America at 25MGD
 - ✓ Design, build and operate lead for the award winning Fillmore, CA reuse plant
 - ✓ Designed, built and operate reuse water system for Gillette Stadium in Foxboro, MA
 - ✓ Future opportunities: waste-to-energy, source water
- Strategic business platform to support regulated acquisitions

American Water Enterprises | Going Forward.....



- Serve our customers with executional excellence
- Continue to win new customers...
-*New bases and new partnerships*
- Expand our products and services to further meet our customers' needs

Break

Susan Story

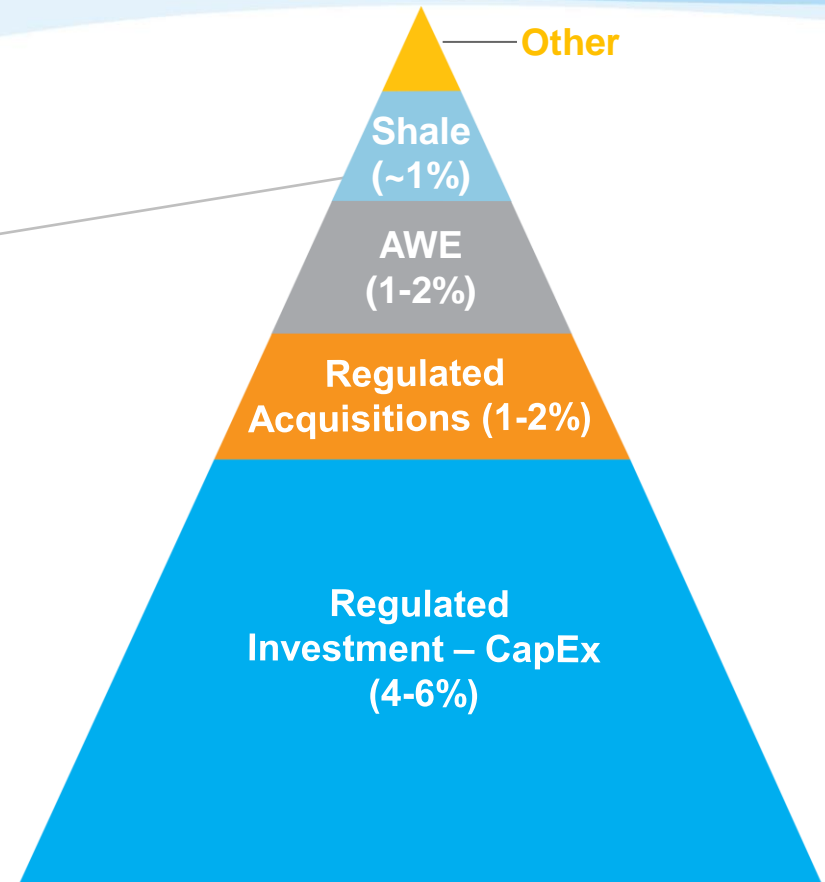
President and Chief Executive Officer



Shale Introduction

Ned Wehler

CEO, Keystone Clearwater



Market Overview – Decades of Exploration and Production Opportunities

- Well completion technology is water enabled and water dependent
- Appalachian Basin – a still rising resource - Utica potential and proven Marcellus
- American Water-Keystone Clearwater – ideally positioned for decades of sustained business



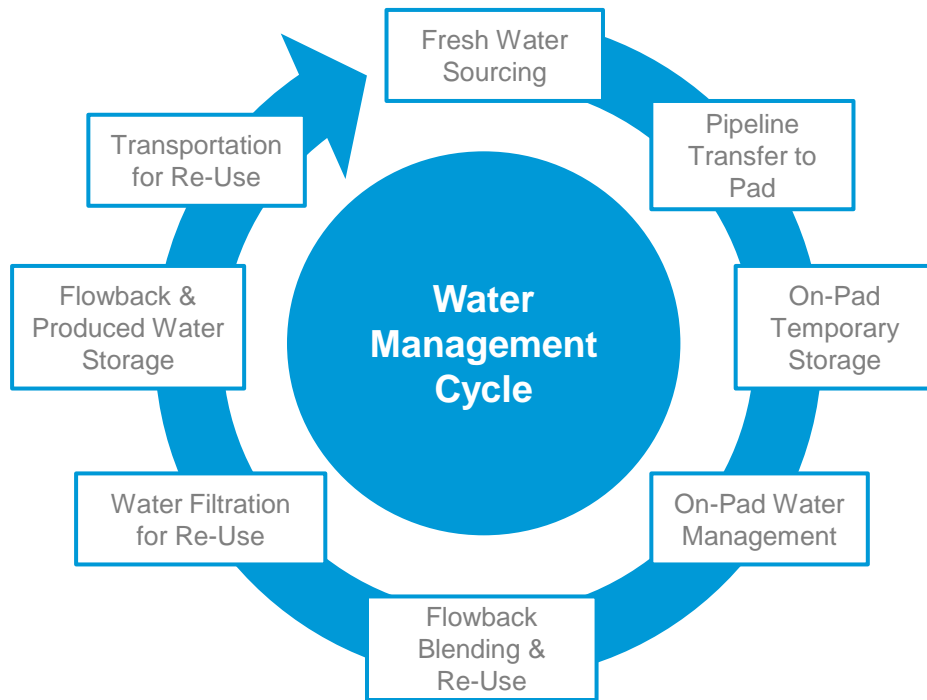
Market Analysis – Short Term and Long-Term Prospects

- **Short Term – 2016 Outlook**
 - 20-30% lower completion activity
 - constrained takeaway capacity
 - drawdown of excess storage
 - El Nino pattern
 - water infrastructure build-out
- **Long Term – 2017 and Beyond**
 - 10-20% gain in completion activity
 - new takeaway capacity
 - demand increases – power burn, LNG, lowest cost gas [Appalachian-basin]
 - gas prices inching up



**Water Supply, Transfer, Filtration, Re-Use & Storage;
Pipeline Construction, and Transport Solutions**

Complete Water Sourcing and Transfer Services



Services include:

- Water Sourcing
- Pipeline Construction
- Water and Equipment Hauling
- Water Transfer
- Water System Operation & Maintenance
- Water Storage Solutions
- Design/Build/Own/Operate
- Served 20 customers at July 2015 close
 - Added 7 new customers since July

Our Competitive Advantage

Core Focus

What Does It Mean for the Customer?

Total Water Management Solution



Vertical integration saves customers time and expense while providing one-stop shopping

Appalachian Basin Expertise



Senior management has developed technical and environmental knowledge and experience in the Appalachian Basin for over 30 years

Technical Knowledge to Handle Complex Projects



Keystone's unique regulatory and engineering experience consistently leads to on-time, on-budget projects despite complex terrain and other challenges

Low Cost Provider



Bundled services and premier technology allow Keystone to offer competitive pricing while maintaining strong margins

Strong Reputation



2015 Awards – 1) Northeast Water Management Company of the Year and 2) second straight year as Central Pennsylvania Business Journal's "Fastest Growing Company"

Strategy for Growth

**Penetration
in existing
markets**

**Our customer base allows for wallet share gain
and expanded services**

**Expansion of
customer
base**

Pursuing 20+ identified new customers

**Design, build
own &
operate**

**Capital constrained E&P producers are
receptive to Keystone expanding into an
ownership role of main transmission lines**

Risks and Risk Mitigation

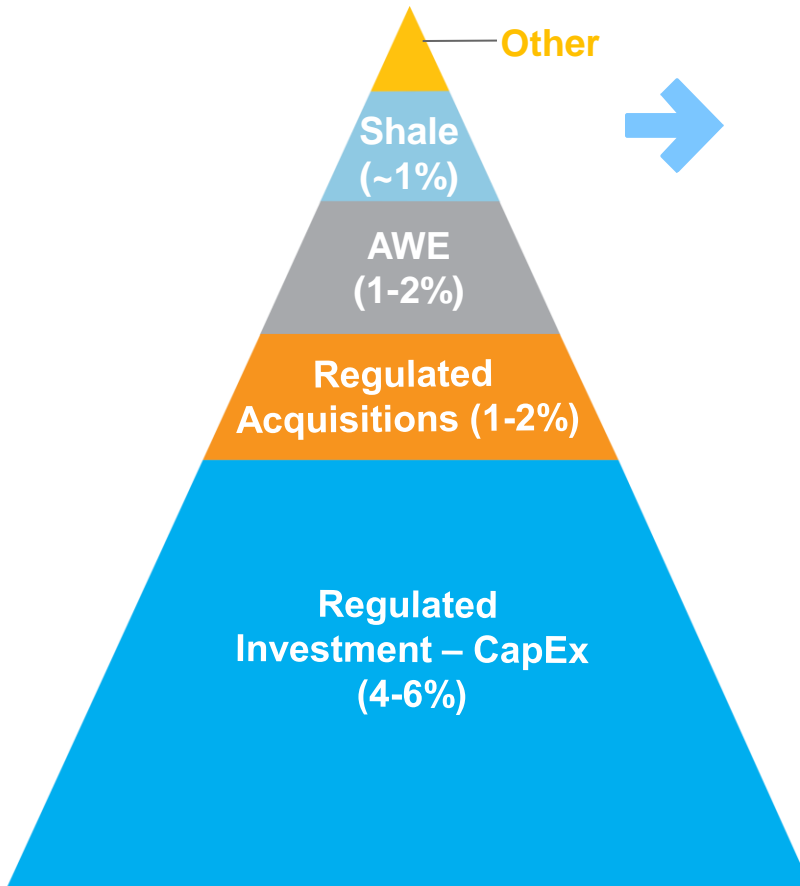
Risks

1. Revenue and margin volatility
2. Declining completion counts
3. Large integrated pipeline infrastructure deals

Mitigation Strategy

1. 5-year contracts + variable cost + customer additions
2. Design-Build-Own-Operate solutions w/contracts of 5 years plus
3. Broaden/diversify services to maintenance and treatment

Keystone Clearwater | Going Forward.....



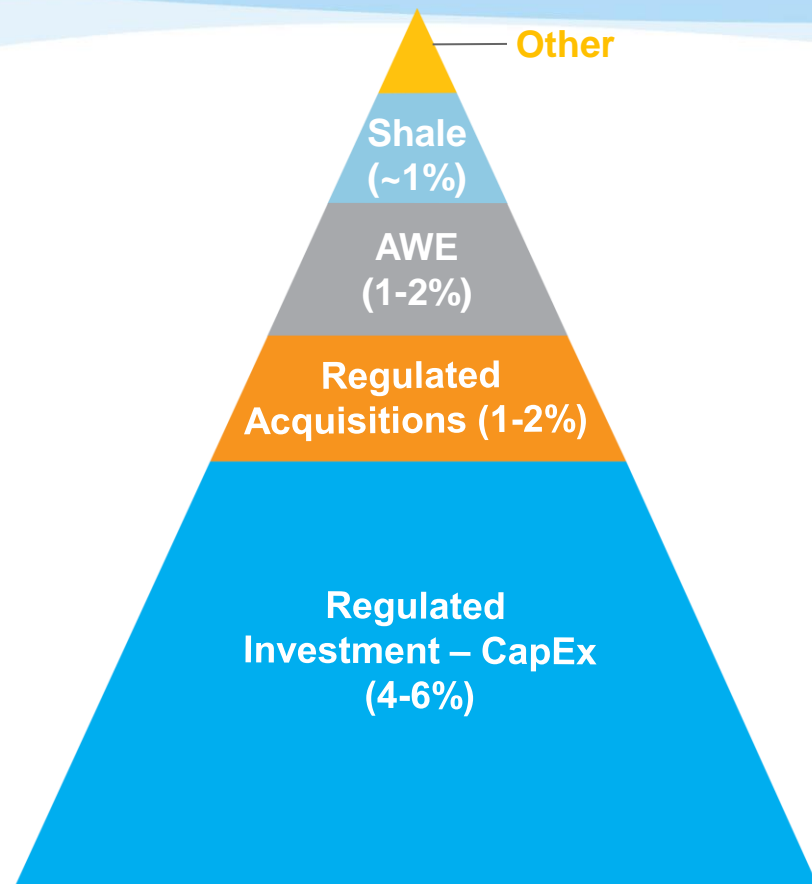
- ✓ We will leverage synergies from our partnership with American Water...
... *Power of brand, financial strength + size, scale & reputation*
- ✓ Build a predictable business model...
... *Obtain long-term contracts – supply + pipeline + storage operations*
- ✓ Own and Operate Water Pipelines & Storage Facilities...
... *Lower risk and provide capital with attractive returns*
- ✓ Grow Wallet Share and Add Customers...
... *Increase market share*

Linda Sullivan

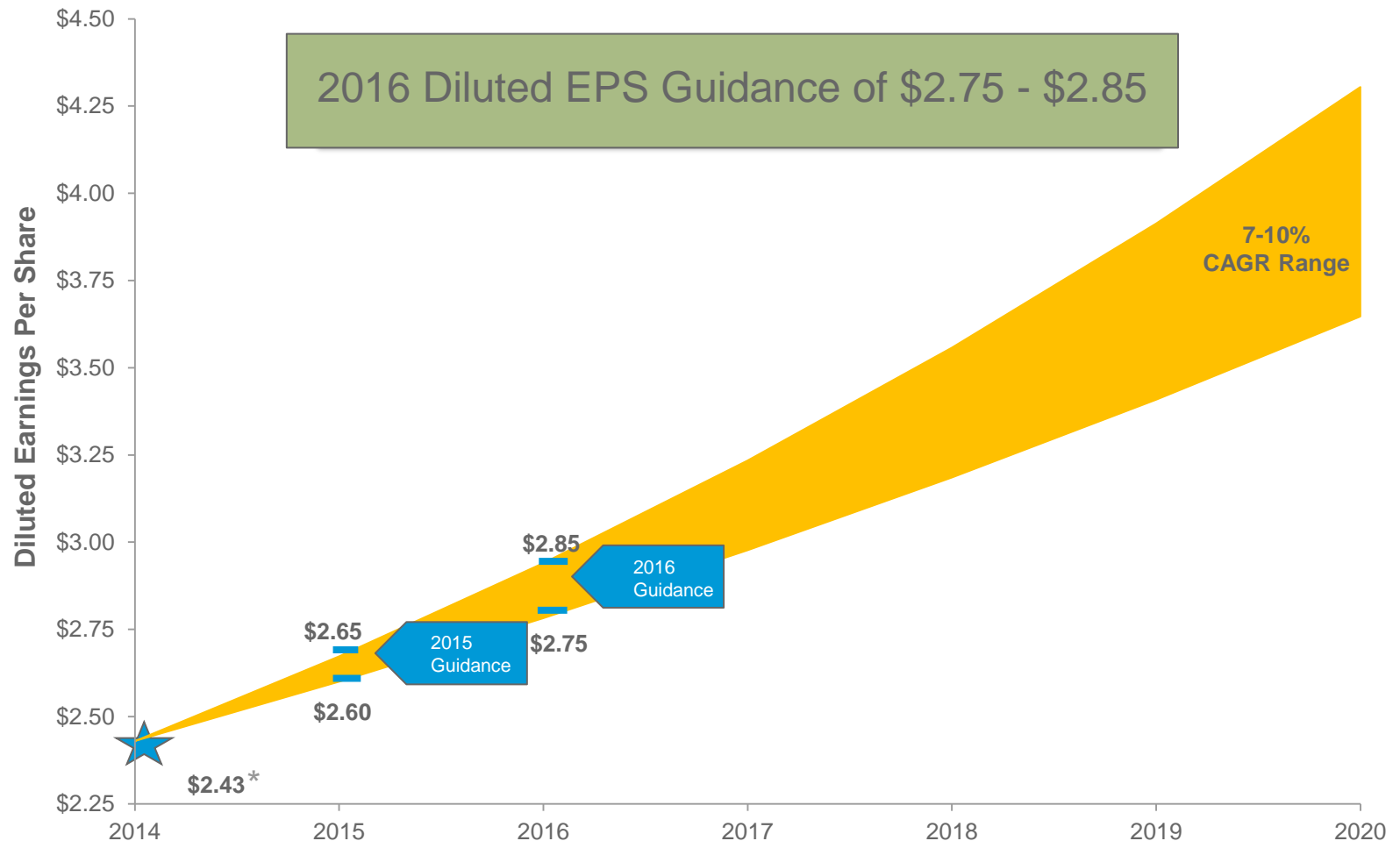
Senior Vice President and
Chief Financial Officer



Financial Overview

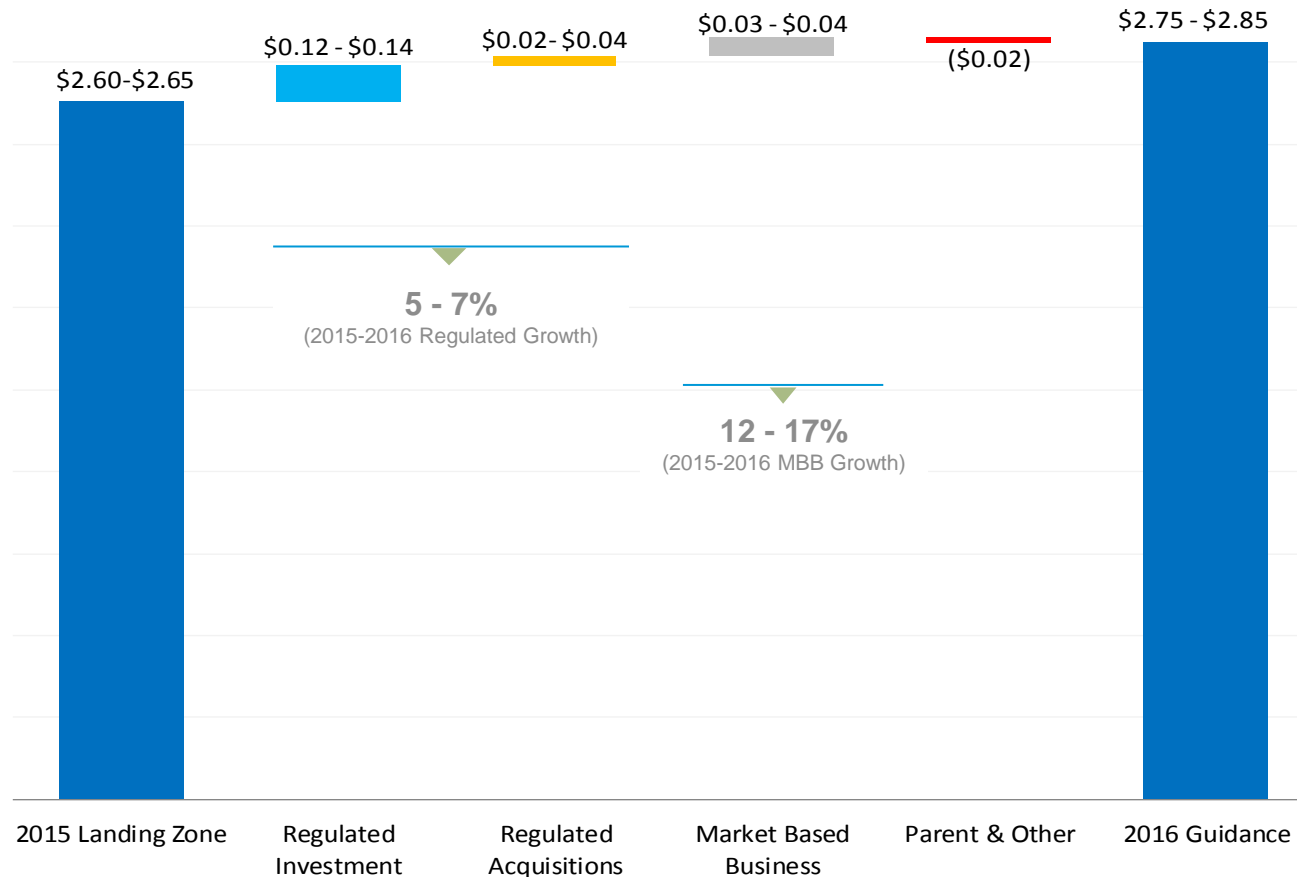


Long Term Diluted EPS Growth Goal of 7-10%



*Non-GAAP measure, excludes costs related to the Freedom Industries chemical spill in 2014 (see Appendix for reconciliation).

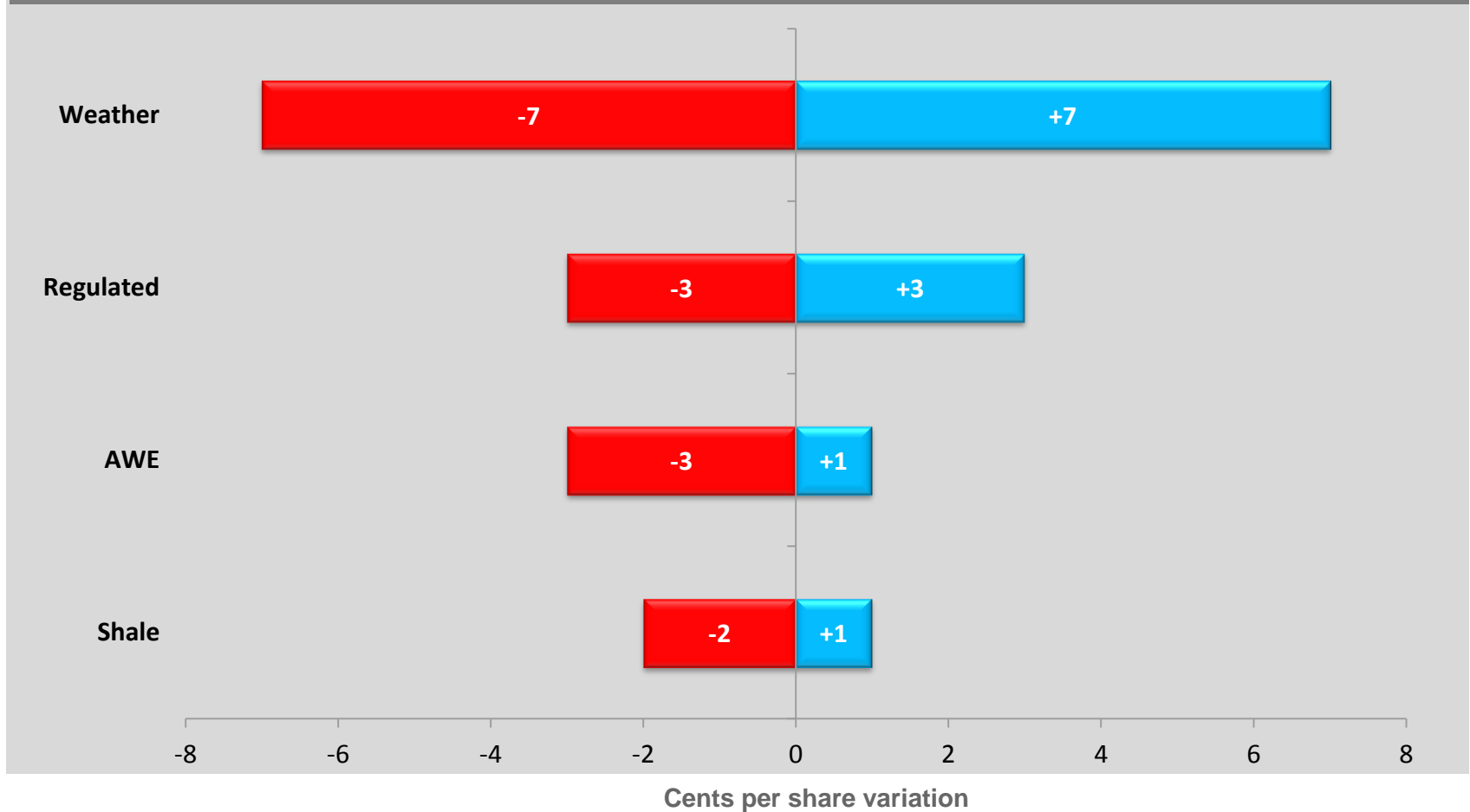
Reaffirming 2015 Guidance Range, New EPS Guidance for 2016 of \$2.75 - \$2.85*



*Diluted EPS from Continuing Operations.

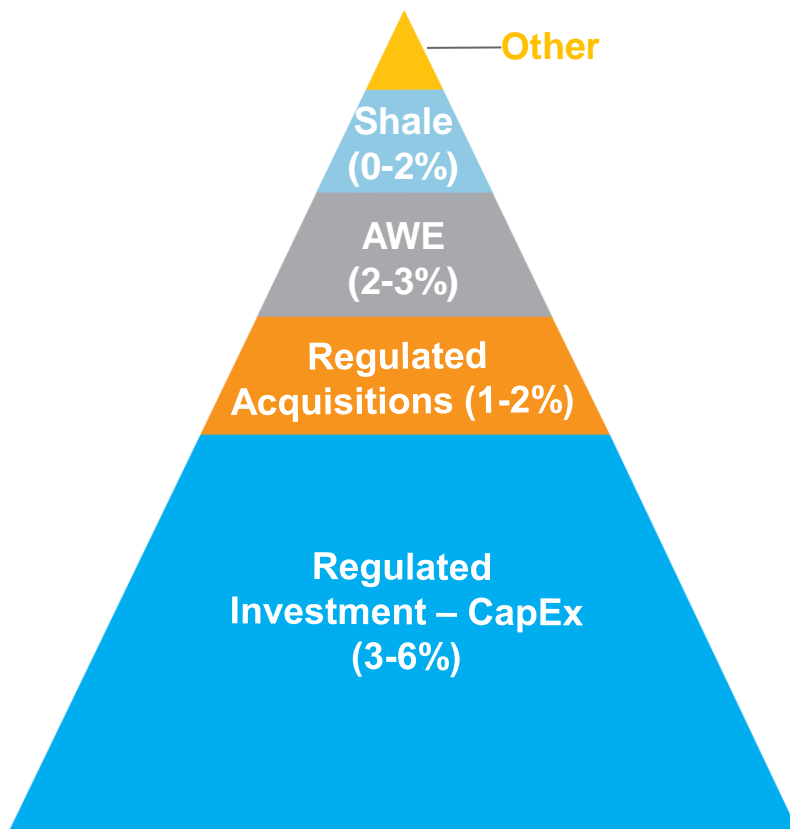
2016 Guidance and Major Variables

FY 2016 Initial Guidance: \$2.75 - \$2.85 Includes...



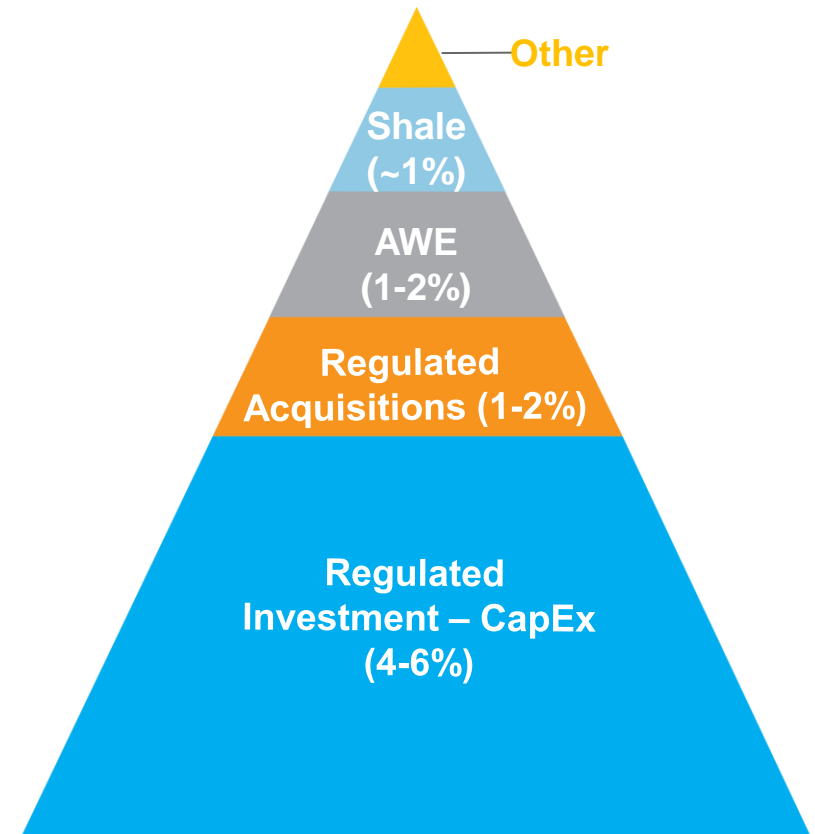
Continued 7-10% EPS Growth Target: Regulated Business is the Foundation

2015 – 2019 Plan*



* 7-10% long-term EPS growth target anchored from FY 2013

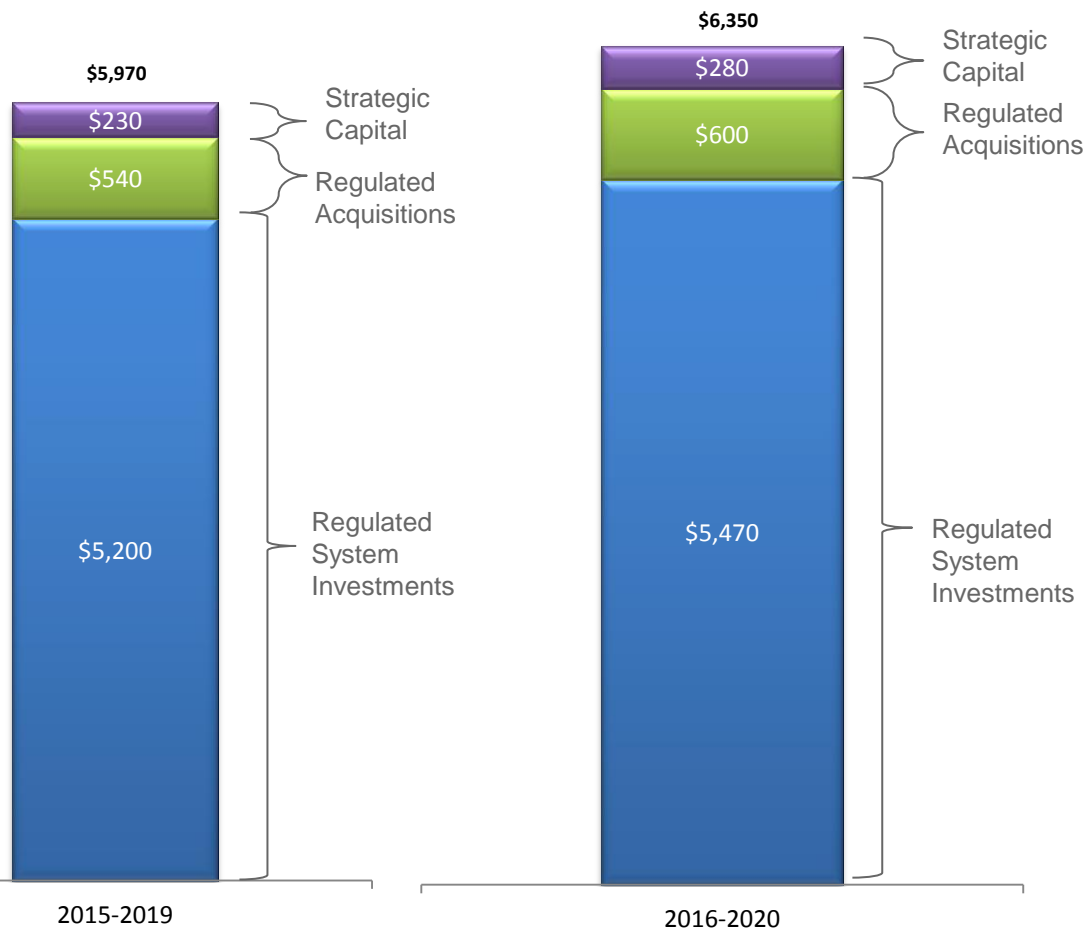
2016 – 2020 Plan**



**7-10% long-term EPS growth target anchored from FY 2014

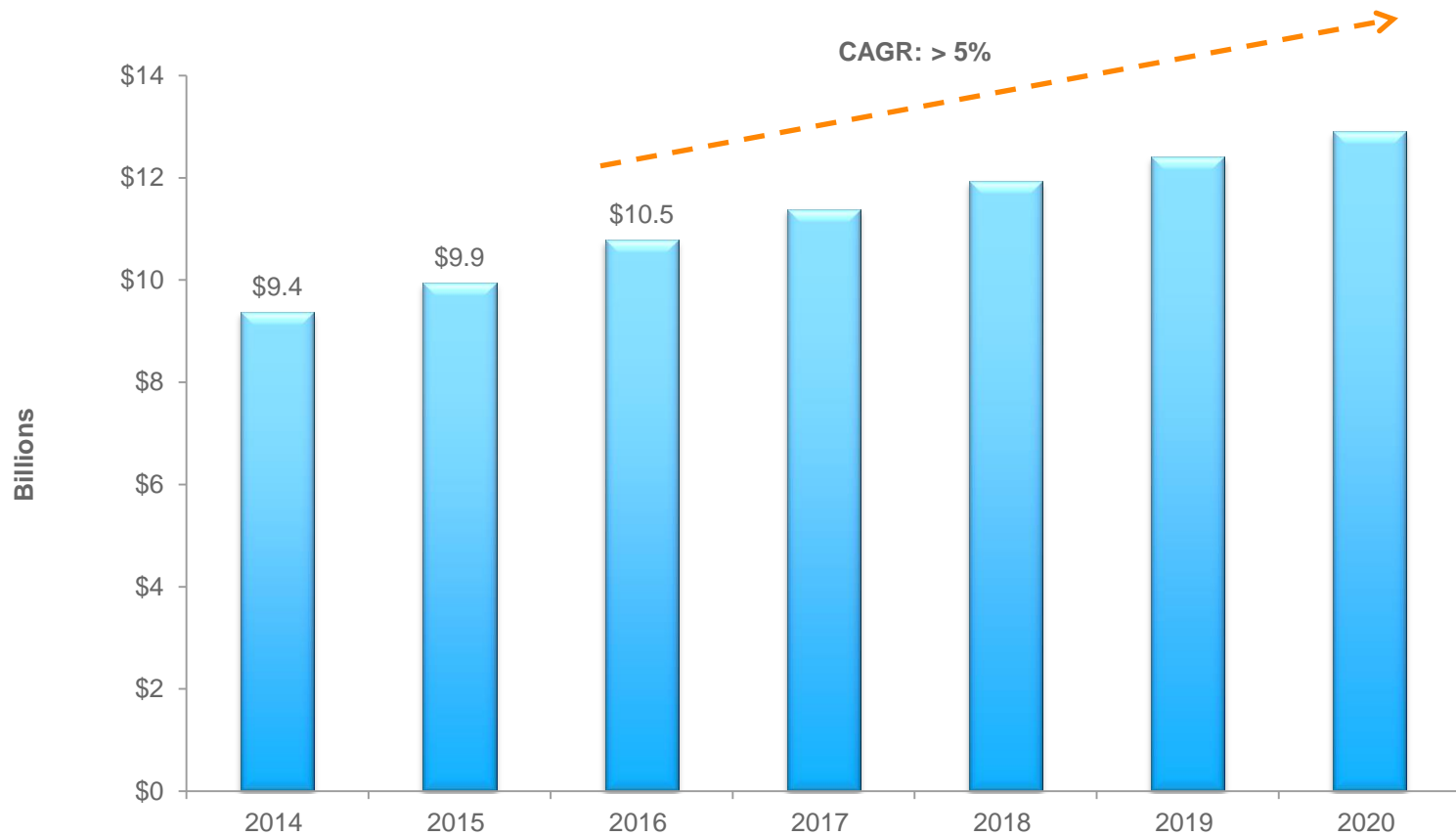
2016-2020 Capital Investment Plan: Stable and Predictable

(\$ in millions)

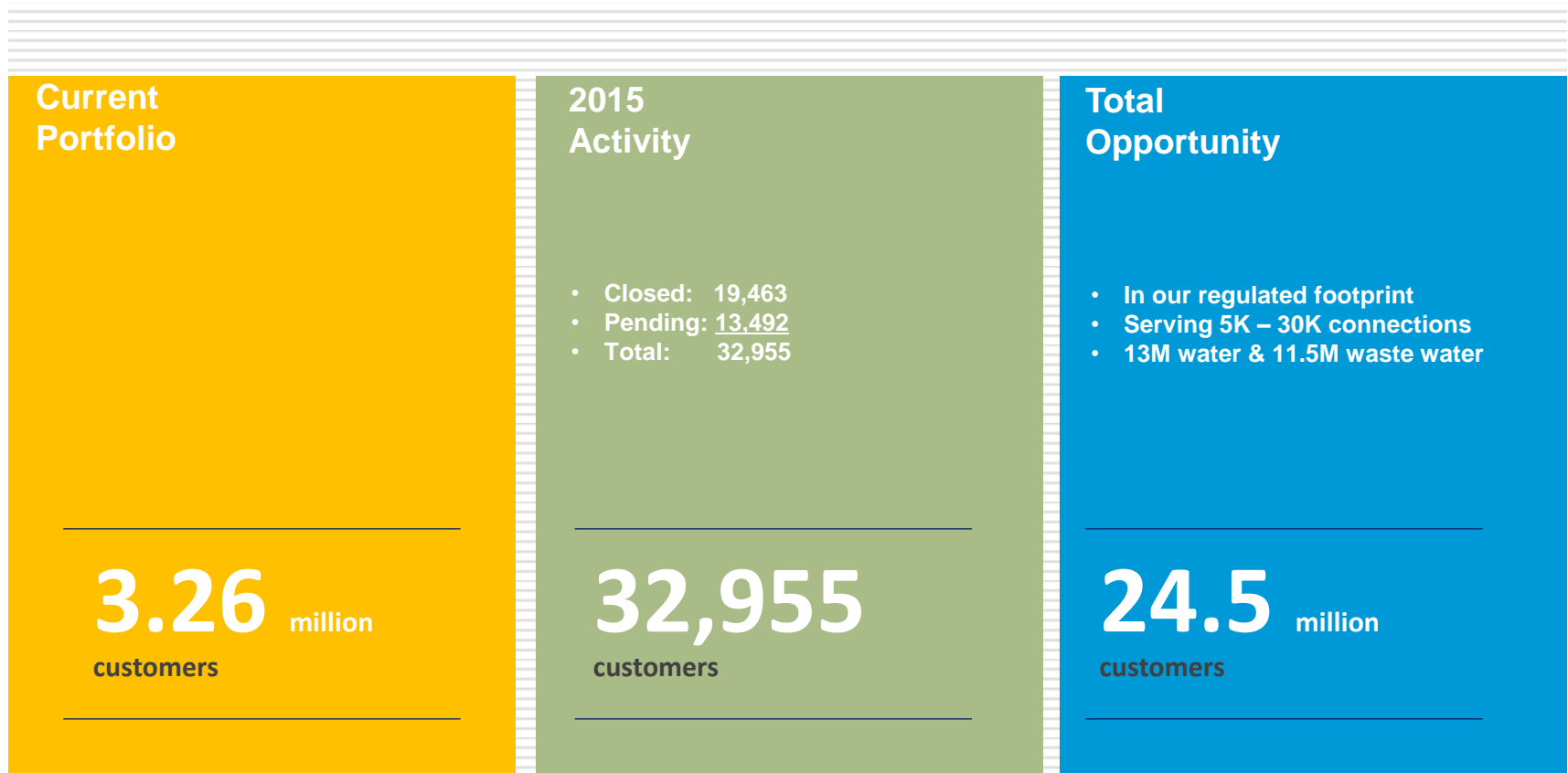


2016
Capital budget - \$1.3 billion

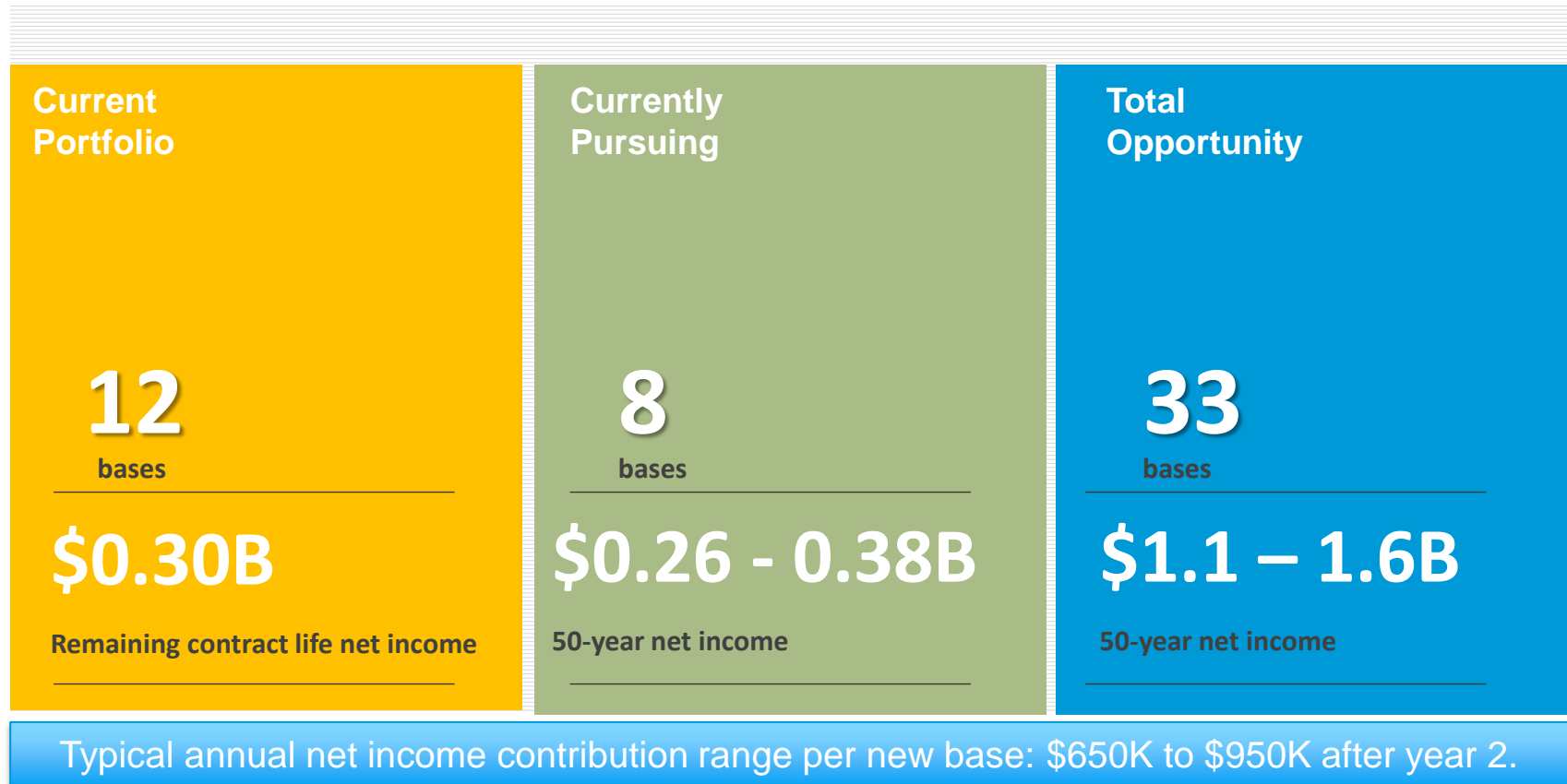
Rate Base Growth – Consistent, Stable Growth



Opportunity Set: Regulated Acquisitions



Opportunity Set: Military Services – Utility Privatization



Represents O&M fees and estimate of infrastructure upgrades.

Opportunity Set: Homeowner Services

Current Portfolio

1.6 million
contracts

Projections Through 2020

0.8 – 1.3 million
incremental contracts

Targeted Market Opportunity

- 75 million homes
- 2 contracts per home
- 20% penetration

30 million
contracts

What Does Winning a New HOS Contract Mean to Net Income Growth?

1) Penetration Rate

- With Billing: 15%-40%
- Without Billing: 1%-15%

2) # Contracts/ Homeowner

- 2 contracts on average

3) Net Income per Contract*

- Average: \$8-\$12 per contract

* Assumes annualized over 5 year period

Hypothetical Net Income Contribution Calculation

"American Water Resources received notice of intent by the City X Utilities Commission to be awarded an exclusive home warranty protection agreement for 200,000 homeowners."

$$200,000 \times 15\% \times 2 \times \$8-\$12 = \$480,000-\$720,000$$



1



2



3

Opportunity Set: Keystone

Current Portfolio*



- Frac/Water Transfer
- Construction
- Water Sales
- Transportation / Tank Rental

\$70 million
annual revenue

EPS Neutral in 2015

Active Development

\$25-30 million
potential incremental annual revenue

EPS Accretive in 2016

Total Estimated Opportunity

\$250-300 million
annual revenue

Market penetration opportunity ranges from 35-50%

Approximate 1% 5-year EPS CAGR

* Estimate based on actual results through September 30, 2015 and fourth quarter 2015 estimates.

Keystone – Building a More Predictable Business Model

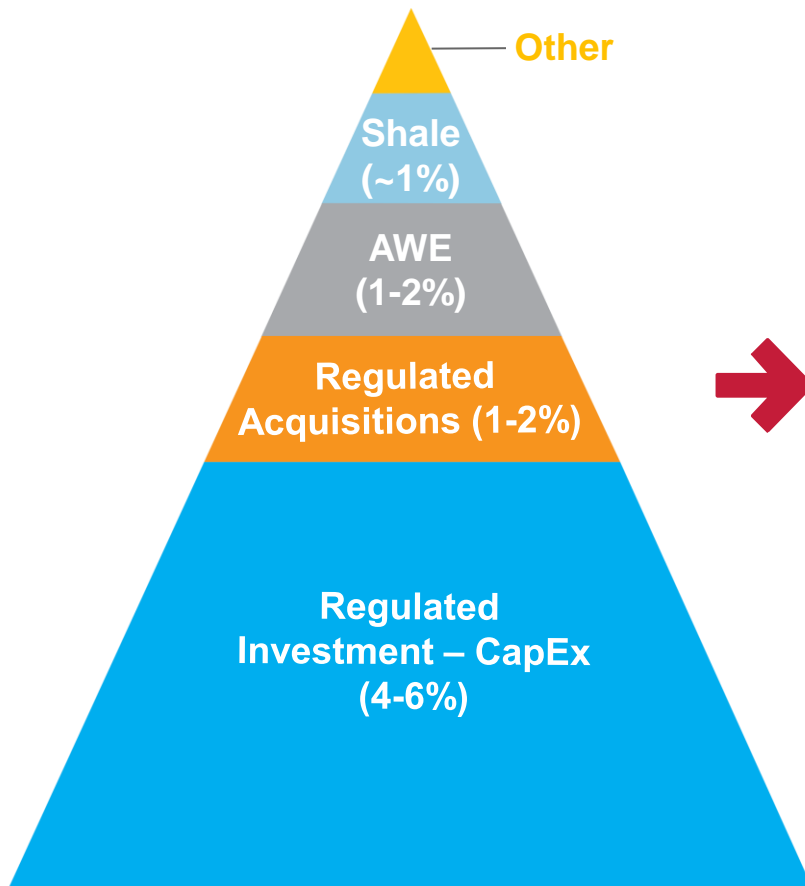
Current Model -Total Water Management Solution

- Mostly short-term contracts (under two years)
- Variable prices and costs
- Asset light

Pursuing a Design, Build, Own and Operate Model

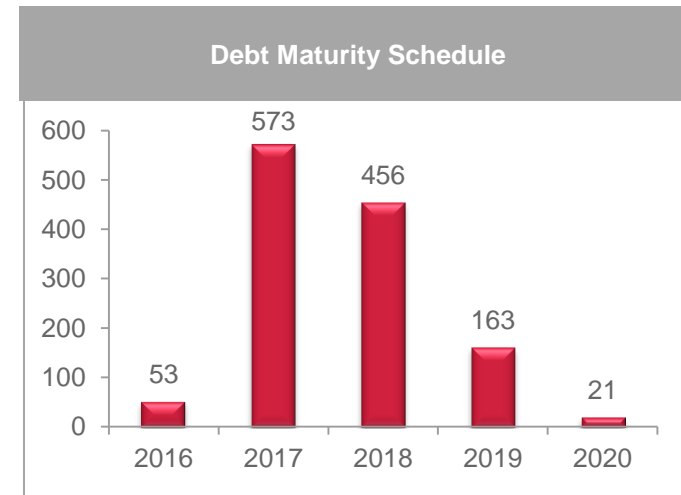
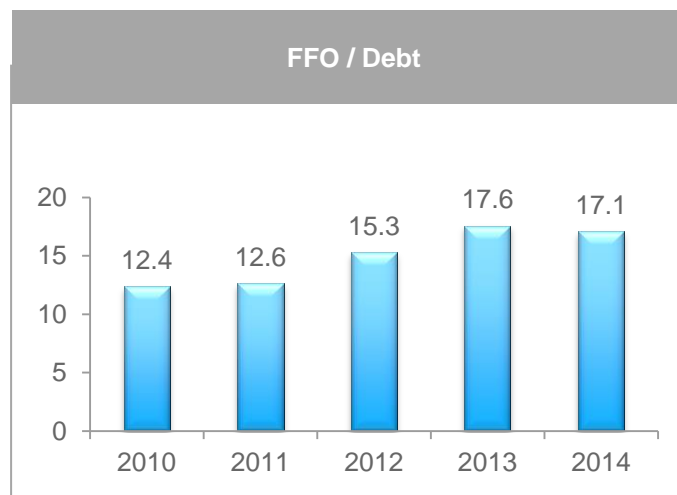
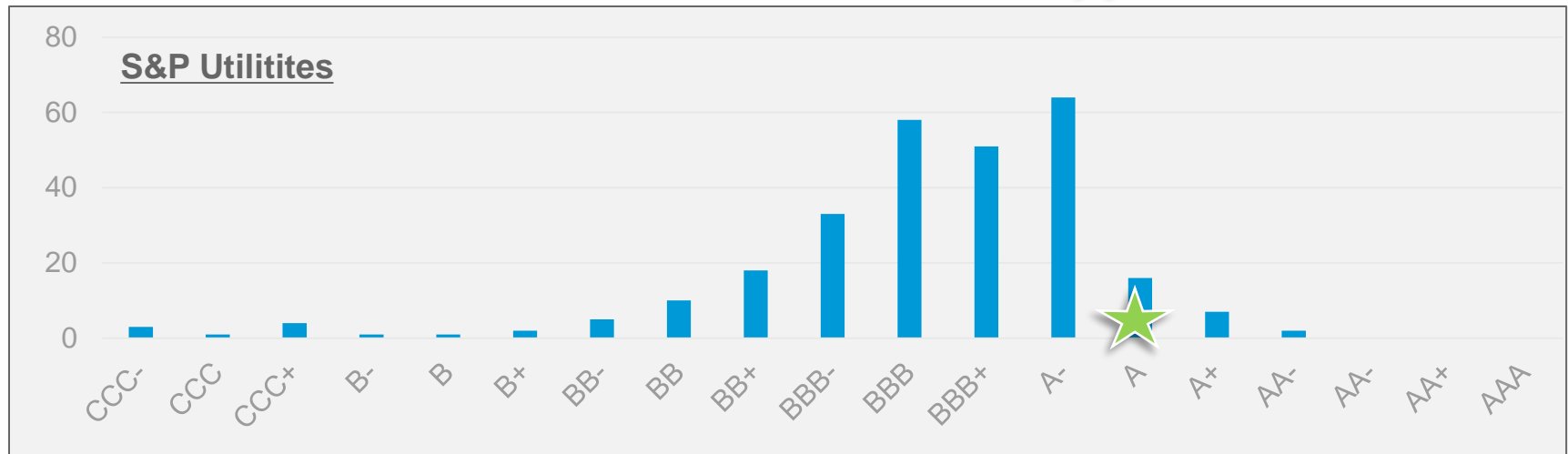
- Mix of operating revenues and capital projects
- Long-term contracts (five years or more)
- Adding water pipelines
 - One or more customers support one pipeline
- Rent/lease agreements that function similar to take-or-pay
 - More sustainable, steady EBITDA

Financial Overview Continued....



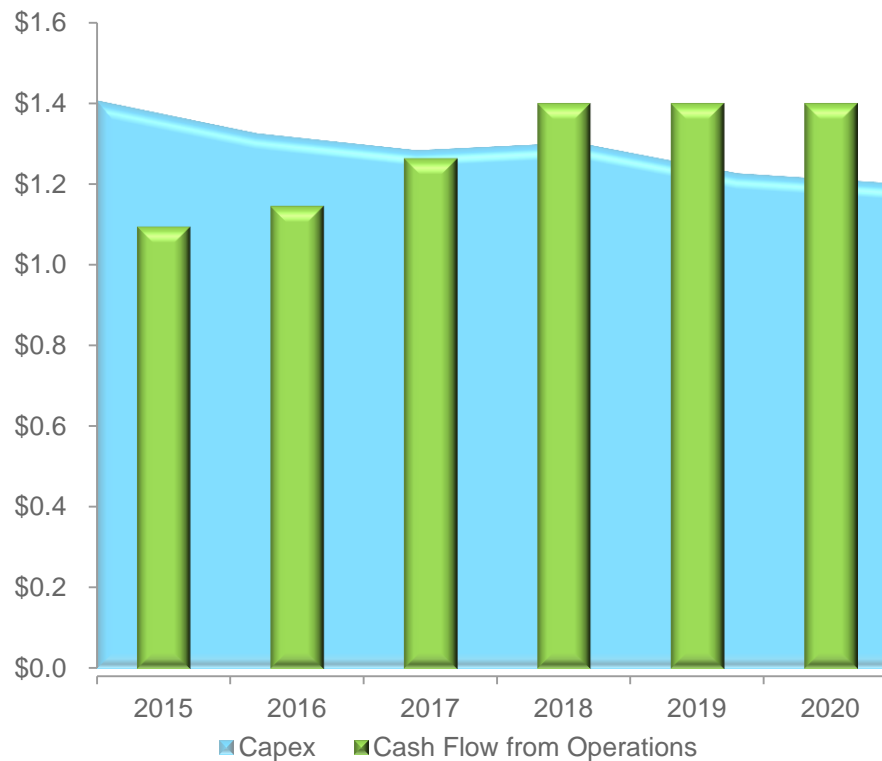
- ✓ Excellent credit quality
- ✓ Strong balance sheet
- ✓ History of consistent dividend growth
- ✓ Superior total shareholder returns

Excellent Credit Quality

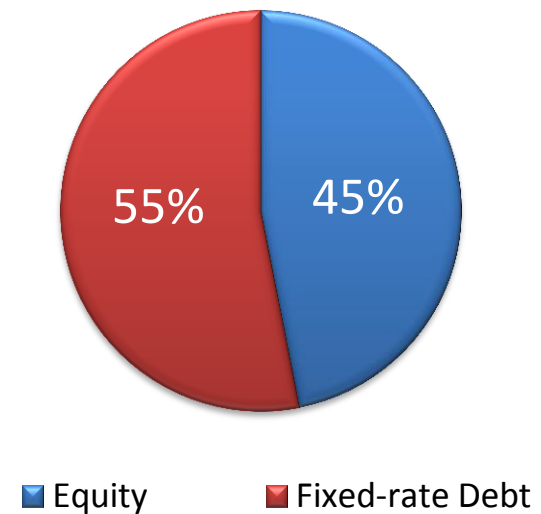


Strong Balance Sheet

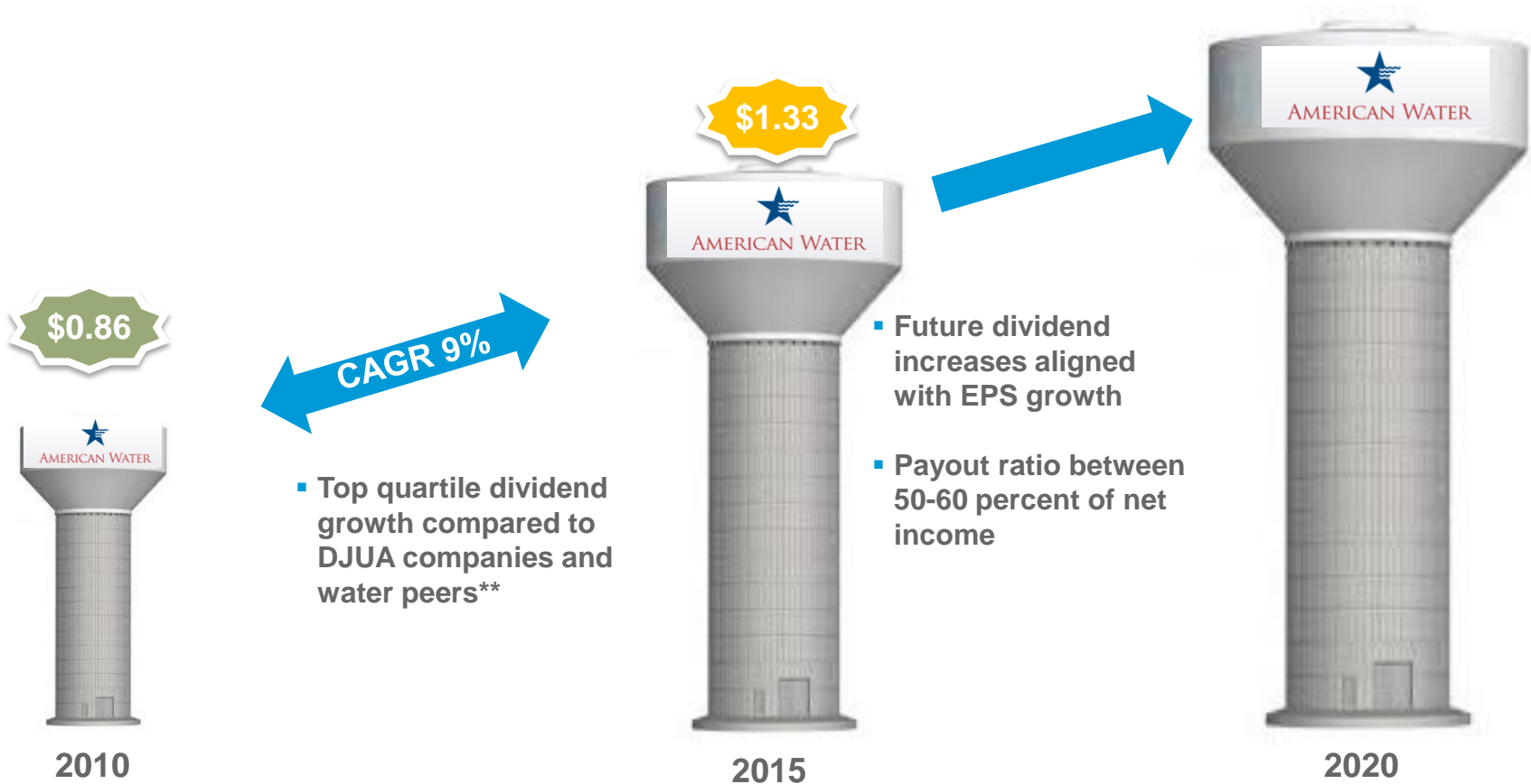
Strong Cash Flow from Operations



2015 Capital Structure



History of Consistent Dividend Growth



Source: Factset: Time Period: 2010 – 2015 Dividend Paid CAGR, assumes future quarterly dividend payments in 2015 equal to current quarterly dividend.
 Peer companies include: AEP, AES, AWK, CNP, D, DUK, ED, EIX, EXC, FE, NEE, NI, PCG, PEG, SO, AWR, ARTNA, CTWS, CWT, MSEX, SJW, WTR, YORW

Superior Total Shareholder Returns

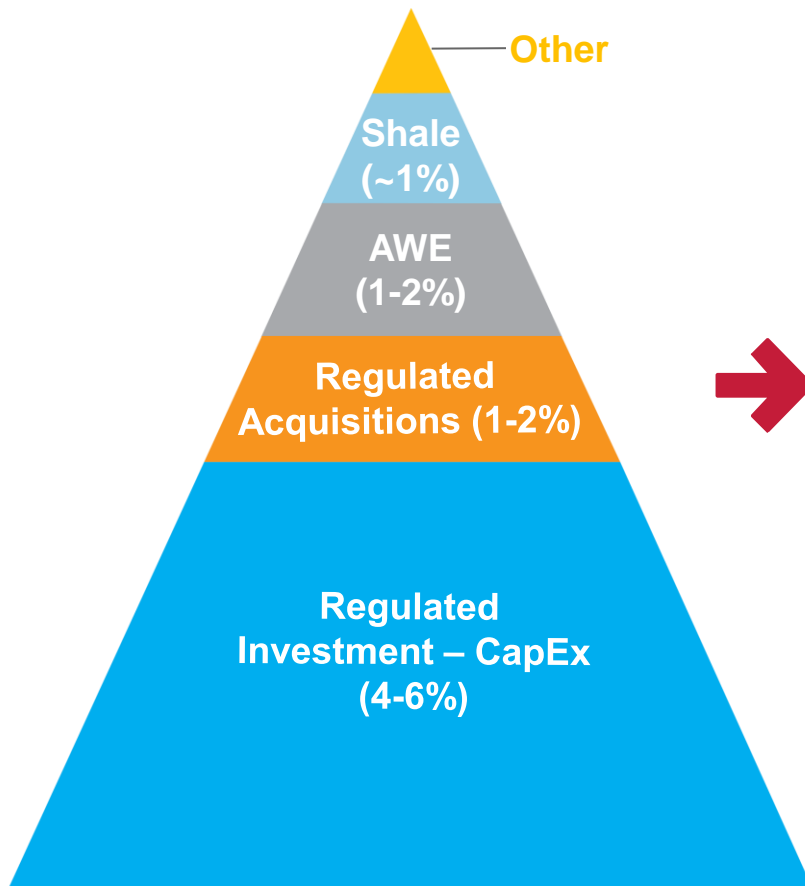
Ticker	LT Growth (Expected)	Dividend Yield	Total Return (Expected)
AWK	8.5%*	2.5%	11.0%
DJUA	4.2%	4.2%	8.4%
Water Peers	5.8%	2.9%	8.7%

Double digit returns, with a 5-year average beta of 0.8

Source : Factset, Data as of December 7, 2015

* Mid Point of 7-10% Long term earnings growth guidance

Financial Overview | Going Forward.....



Targets:

- ✓ Grow EPS long term at 7-10%...
... *Regulated investments will be the foundation*
- ✓ Increase dividends in line with earnings...
... *Payout ratio between 50-60% of earnings*
- ✓ Maintain our conservative risk profile...
... *Market based businesses not more than 15-20% of earnings*
- ✓ Deliver leading total shareholder returns
... *Combined EPS and dividend growth*

Susan Story

President and Chief Executive Officer



In Summary

Why American Water?

AWK

Growth

- EPS growth 7-10%, over next 5 years*
- Multi-decade investment needs
- Fragmented market

- ✓ Top quartile
- ✓ Clear line of sight
- ✓ Water & wastewater

People & Business Model

- Strong local presence and national scale
- Regulatory expertise
- Strong record of execution
- Broad and diversified experience
- Strong bench strength

- ✓ Personalized economies of scale
- ✓ Seasoned state leaders
- ✓ 2010-2015 EPS CAGR of 12.4%
- ✓ Multi-utility backgrounds
- ✓ Robust succession planning

Risk Profile

- Smooth regulated capital deployment
- Absence of federal economic regulation
- Geographic diversity
- Market-based complementary businesses

- ✓ Flexible and sustainable
- ✓ Unlike electrics and gas
- ✓ Most diverse utility
- ✓ Regulated-like

Financial Strength

- Dividend growth
- Strong credit ratings/access to capital
- Greater than \$10 billion market cap
- Strong cash flows

- ✓ Top quartile
- ✓ Top quartile
- ✓ Only water utility >\$10B
- ✓ No need to issue equity**

*Anchored from 2014, adjusted EPS

**Under normal operating conditions

**Top-quartile
Growth**

Low Risk

**Strong
Financials**

**Best
People**

AWK

Any company's only sustainable
competitive advantage is its...
PEOPLE

Any company's only sustainable
competitive advantage is its...
PEOPLE



Victor Munguia  CALIFORNIA
AMERICAN WATER

Any company's only sustainable
competitive advantage is its...
PEOPLE



Herbie Sims



Summary

What's new

What's the same