



AMERICAN WATER

2019 Fourth Quarter and Year-End  
Earnings Conference Call

*We keep life flowing*<sup>®</sup>



## Forward-Looking Statements



**Ed Vallejo**

**Vice President, Investor Relations**

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## Safe Harbor

This presentation includes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. They are not guarantees or assurances of any outcomes, financial results or levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation. The factors that could cause actual results to differ are discussed in the Appendix to this presentation and in our Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 18, 2020.

## Non-GAAP Financial Information

This presentation includes non-GAAP financial measures. Further information regarding these non-GAAP financial measures, including a reconciliation of each of these measures to the most directly comparable GAAP measure, is included in the Appendix to this presentation.

## Strategy Overview



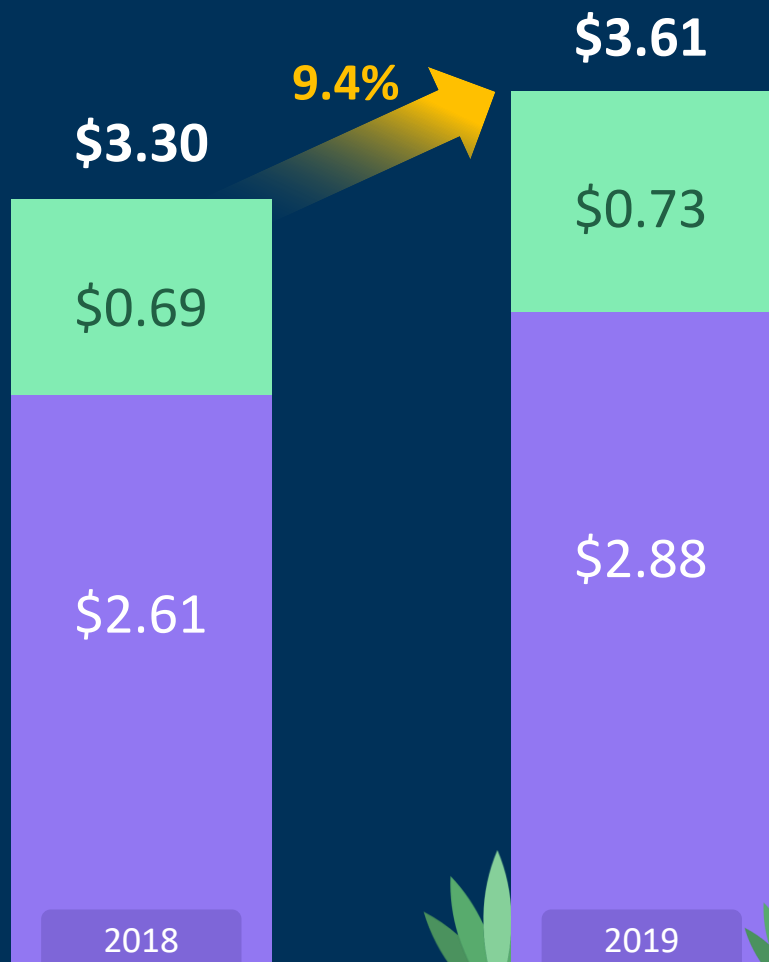
# Susan Story

President and Chief Executive Officer

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# Strong Full Year Adjusted Results

## Adjusted earnings per share\*



● Q4 ● Nine months ended Sep. 30



### Regulated Acquisitions

- 2019 Closed 53,100 customer connections
- 44,200 customer connections under agreement as of 2/19/2020
- Strong pipeline continues



### 2019 Regulated Investment

- ≈\$1.9 billion total capex invested
- Organic growth ≈14,000 customer connections
- 34.5%\*\* O&M efficiency ratio
- Deployed and developed technology to improve customer service & reliability



### 2019 Market-Based Businesses

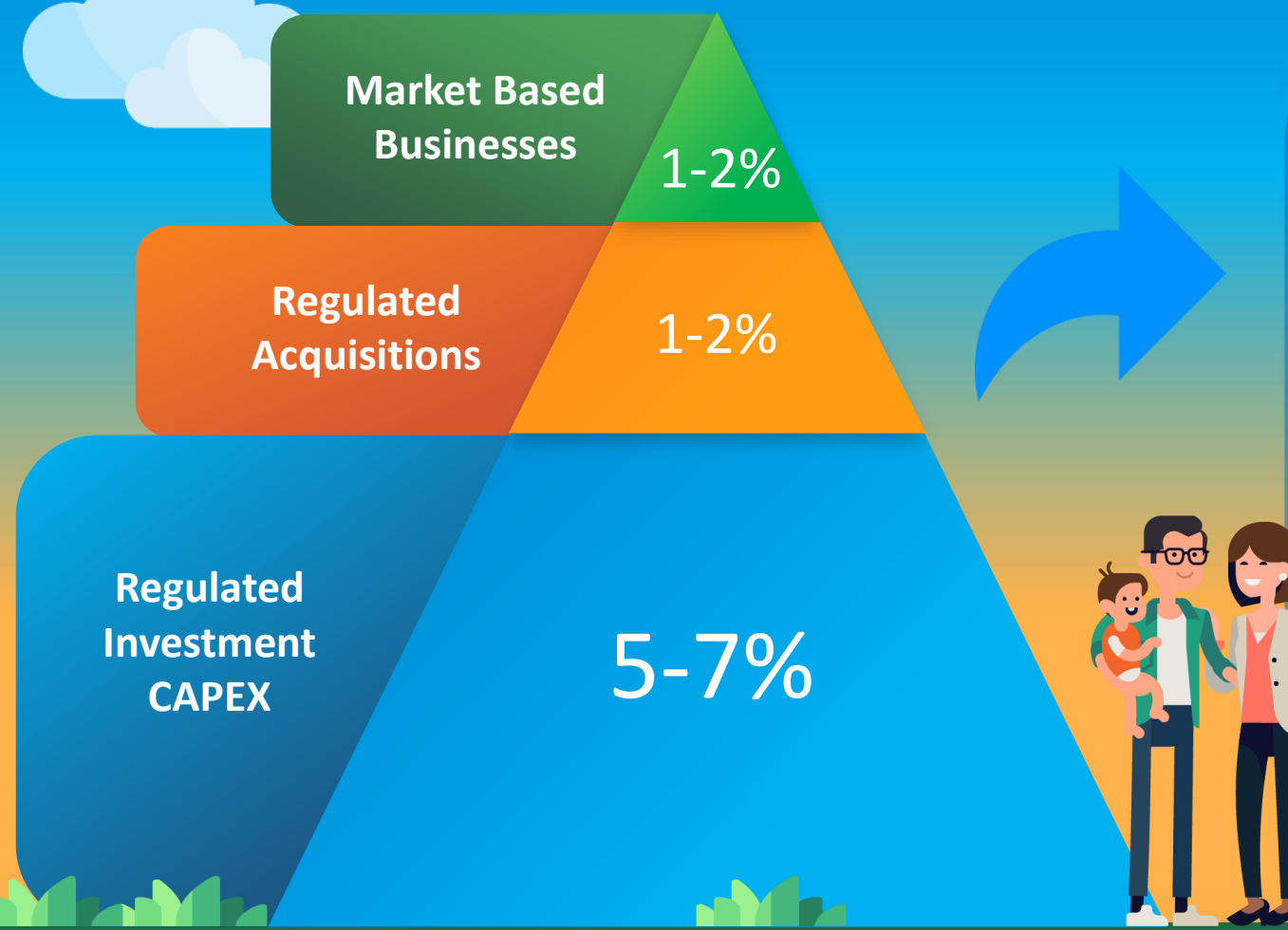
- Homeowner Services
- Continued strong performance
- Military Services
- Awarded two bases:
    - ✓ Joint Base San Antonio
    - ✓ U.S Military Academy at West Point

\* Adjusted EPS is a Non-GAAP Measure. Please see appendix for reconciliation and further information.

\*\* For 12-months ended December 31, 2019. Non-GAAP measure; please see reconciliation table in appendix.

# Our Strategy Continues to Drive Growth

2020-2024 Plan\*  
7-10% EPS CAGR Range



- ✓ **Grow EPS long-term CAGR of 7-10%\*...**  
*... One of the fastest growing utilities in the nation*
- ✓ **Grow dividends at high end of 7-10%\* EPS range\*\*...**  
*... Top quartile utility dividend growth*  
*... Payout ratio between 50-60% of earnings*
- ✓ **Maintain our predominantly regulated risk profile...**  
*... Capital-light, cash generating Market based businesses will represent 12% of EPS in 2024*
- ✓ **Invest \$20 - \$22 billion in capital over the next 10 years...**  
*... For water quality, needed infrastructure replacement and regulated customer growth*
- ✓ **Top leader in the utility sector...**  
*... Combined EPS + dividend growth delivers superior total shareholder return*

\* Growth triangle reflects 2020 – 2024 EPS CAGR goal of 7-10% anchored off of 2018 Adjusted EPS (a non-GAAP measure).  
\*\* Subject to American Water Board approval.

Notable ESG related indexes



American Water Earns Top Score on Disability Equality Index and listed among "Best Places to Work for Disability Inclusion"



American Water ranked #16 on Corporate Knights' Global 100 Most Sustainable Corporations

Awards and Recognitions



American Water ranked #22 on Barron's 100 Most Sustainable Companies



American Water Honored by Forum of Executive Women as a Champion of Diversity



American Water employees log over 5,000 volunteer hours across U.S. during month of service



Indiana American Water Wins American Water Works Association's Wendell R. LaDue Utility Safety Award



West Virginia American Water's Weston Water System Wins 1st Place in the WV-AWWA Tap Water Taste Test



American Water recognized among the top 100 Best for Vets employers by Military Times



American Water earns 2020 Military Friendly® Gold Employer designation



American Water earns 2020 Military Friendly® Spouse Employer designation



American Water Joins Army Representatives to Accept U.S. Department of Energy Award



American Water Awarded LEED Platinum Certification for new Corporate Headquarters in Camden, NJ

For American Water, Business As Usual



## The Regulated Businesses



**Walter Lynch**  
Chief Operating Officer

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## 2019

### Indiana Rate Case – Rates Effective July 1, 2019



- Capital Investment of ≈\$542 million
- ROE ≈9.80% with Equity of 53.41%
- Issued final order on TCJA

### Kentucky Rate Case – Rates Effective June 28, 2019



- Capital Investment of ≈\$100 million
- ROE ≈9.70% with Equity of 48.90%
- PSC approved implementation of a Qualified Infrastructure Program (QIP)

### West Virginia Rate Case – Rates Effective February 25, 2019



- Capital Investment of ≈\$200 million, including DSIC
- ROE ≈9.75% with Equity of 48.40%
- DSIC reset

### Maryland Rate Case – Rates Effective February 5, 2019



- Capital Investment of ≈\$18 million
- ROE ≈9.9% with Equity of 48.66%
- Full recovery of reservoir project

## Pending Rate Cases

### New Jersey Rate Case – Filed December 16, 2019



- Capital Investment of ≈\$1 billion
- Requested ROE 10.5%
- Requested Equity Portion 54.46%

### Virginia Rate Case – Filed November 2, 2018



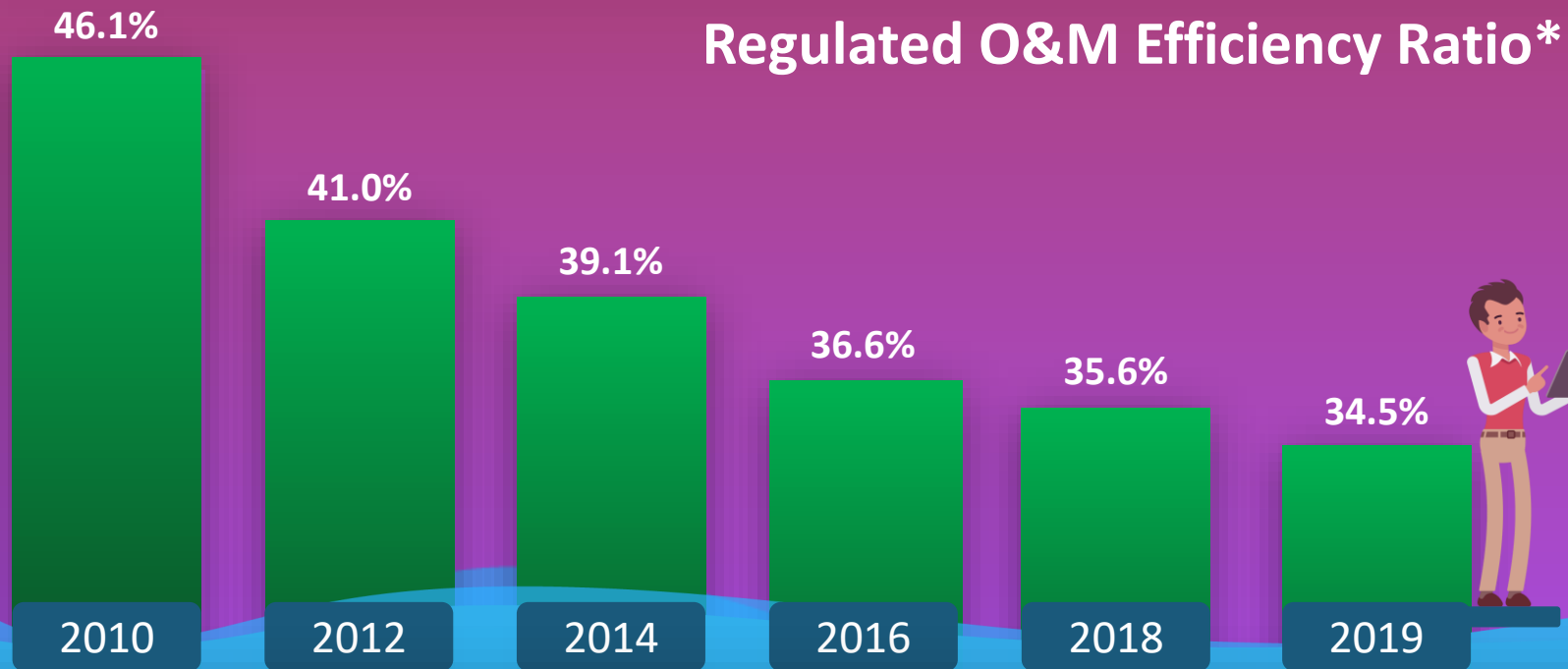
- Capital Investment of ≈\$98 million
- Requested ROE 10.8%
- Interim rates effective May 1<sup>st</sup>

### California Rate Case – Filed July 1, 2019



- Capital Investment of ≈\$197 million
- ROE previously set in separate Cost of Capital Decision
- Rates covering 2021 through 2023

# Disciplined Focus on Expenses



### Adjusted O&M Expenses\* (\$ in millions)

Year	Adjusted O&M Expenses* (\$ in millions)
2010	\$966
2012	\$980
2014	\$943
2016	\$948
2018	\$1,015
2019	\$1,020

2010-2019  
**0.6% CAGR**

While *adding* **≈270,000\*\*\*** customer connections

\* Non-GAAP Measure – See appendix for reconciliation. O&M Efficiency Ratio = Adjusted Regulated O&M Expenses (O&M Expenses is most comparable GAAP measure) / Adjusted Regulated Operating Revenues (Operating Revenues is most comparable GAAP measure). This calculation assumes purchased water revenues approximate purchased water expenses. Also, 2010 – 2016 adjusted for TCJA

\*\* A reconciliation to a most comparable forward-looking GAAP measure is not available without unreasonable effort

\*\*\* Includes organic customer connections & closed dispositions



**Under Agreement\***  
 ≈ 44,200 Customer Connections  
 28 Acquisitions

CA: 5	IL: 11	NJ: 1
HI: 1	IN: 1	PA: 5
IA: 1	MO: 2	TN: 1

\* As of 2/19/2020; does not reflect the announced pending sale of NYAW

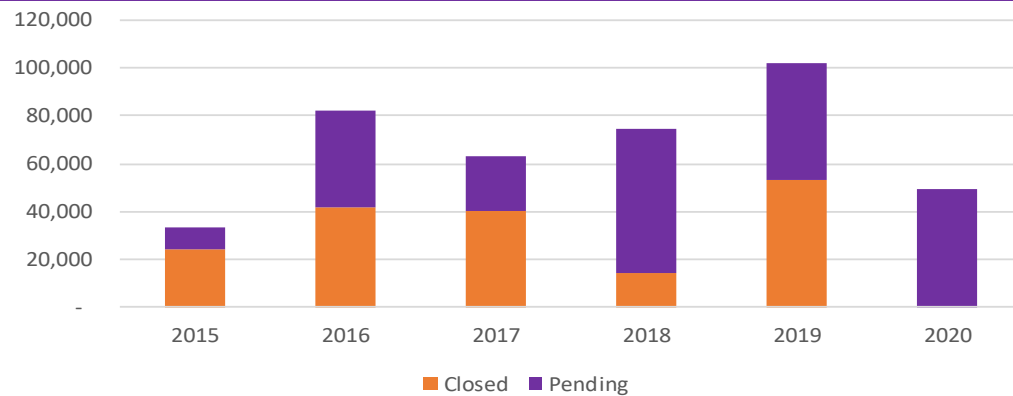
**2019 Closed**  
 ≈ 53,100\*\* Customer Connections  
 21 acquisitions in 8 states

<b>Alton, IL</b> Wastewater ≈ 23,000 connections**	<b>Exeter, PA</b> Wastewater ≈ 9,000 connections
<b>Godfrey, IL</b> Wastewater ≈ 6,200 connections	<b>Lake Station, IN</b> Water ≈ 3,300 connections

\*\* This includes the Alton, IL acquisition, which represents 23,000 customer connections, due to bulk contracts. Connections to the system will be approximately 11,000

## Past Growth

### Closed & Pending Acquisitions by Year\* (Customer Connections)



### American Water Acquisitions\*\* (Customer Connections)

From 2015-2019 **83**\*\* closed deals in **10 states**  
 ≈173,000\* customers

\* Excludes organic growth customer connections & does not reflect the announced pending sale of NYAW  
 \*\* Closed water and wastewater deals counted as separate transactions.

## Future Growth

Opportunities over 5 years  
 ≈695,000  
 Customer Connections

## Enablers

Fair Market Value

Consolidated Tariffs

Water Quality



## Financial Results & Long-Term Outlook



Susan Hardwick

Chief Financial Officer

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Q4  
2019

## Contribution by Business

	<u>Three Months Ended</u> <u>12/31/2019</u>	<u>Three Months Ended</u> <u>12/31/2018</u>	<u>Change</u>
Regulated	\$0.84	\$0.71	\$0.13
Market Based	\$0.10	\$0.07	\$0.03
Parent & Other	(\$0.21)	(\$0.09)	(\$0.12)
<b>Total Adjusted EPS*</b>	<b>\$0.73</b>	<b>\$0.69</b>	<b>\$0.04</b>
Re-measurement from Tax Reform	-	(\$0.07)	
Keystone Loss on Sale	(\$0.19)	-	
<b>Total GAAP EPS</b>	<b>\$0.54</b>	<b>\$0.62</b>	<b>(\$0.08)</b>

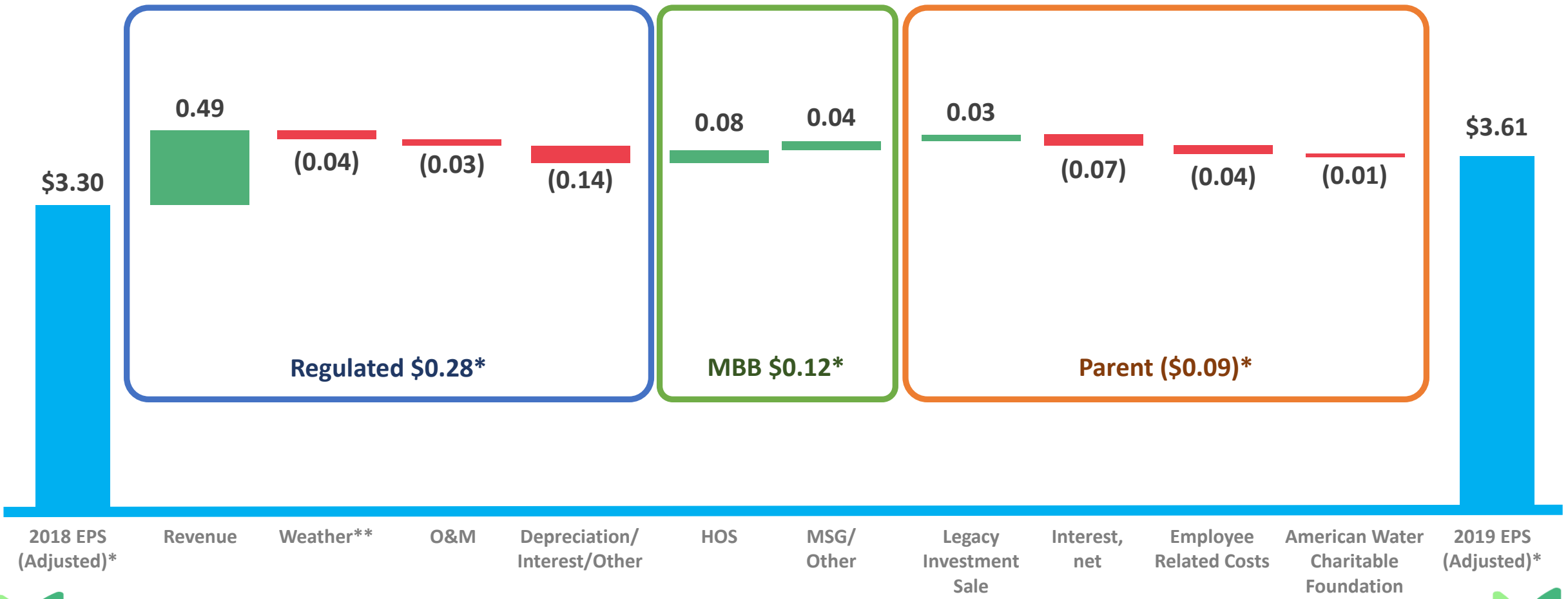
Full  
Year  
2019

## Contribution by Business

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Regulated	\$3.60	\$3.32	\$0.28
Market Based	\$0.45	\$0.33	\$0.12
Parent & Other	(\$0.44)	(\$0.35)	(\$0.09)
<b>Total Adjusted EPS*</b>	<b>\$3.61</b>	<b>\$3.30</b>	<b>\$0.31</b>
Freedom Industries settlement activities	\$0.01	\$0.08	
Keystone Loss on Sale	(\$0.19)	-	
Keystone Impairment	-	(\$0.22)	
CSG Gain on Sale	-	\$0.06	
Re-measurement from Tax Reform	-	(\$0.07)	
<b>Total GAAP EPS</b>	<b>\$3.43</b>	<b>\$3.15</b>	<b>\$0.28</b>

\* Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.

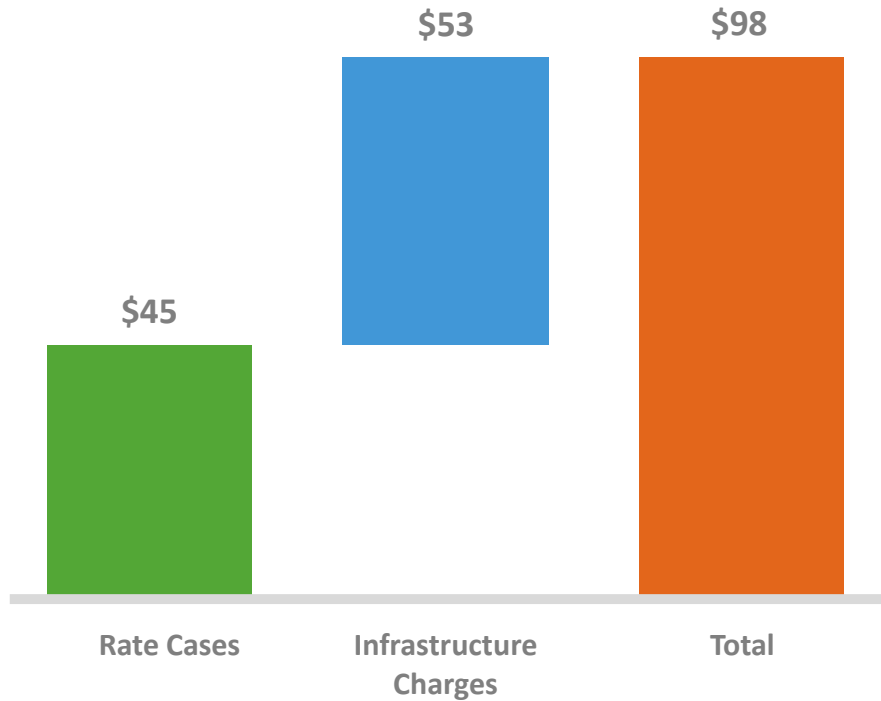
# Full Year 2019 *Adjusted* EPS Detail by Business\*



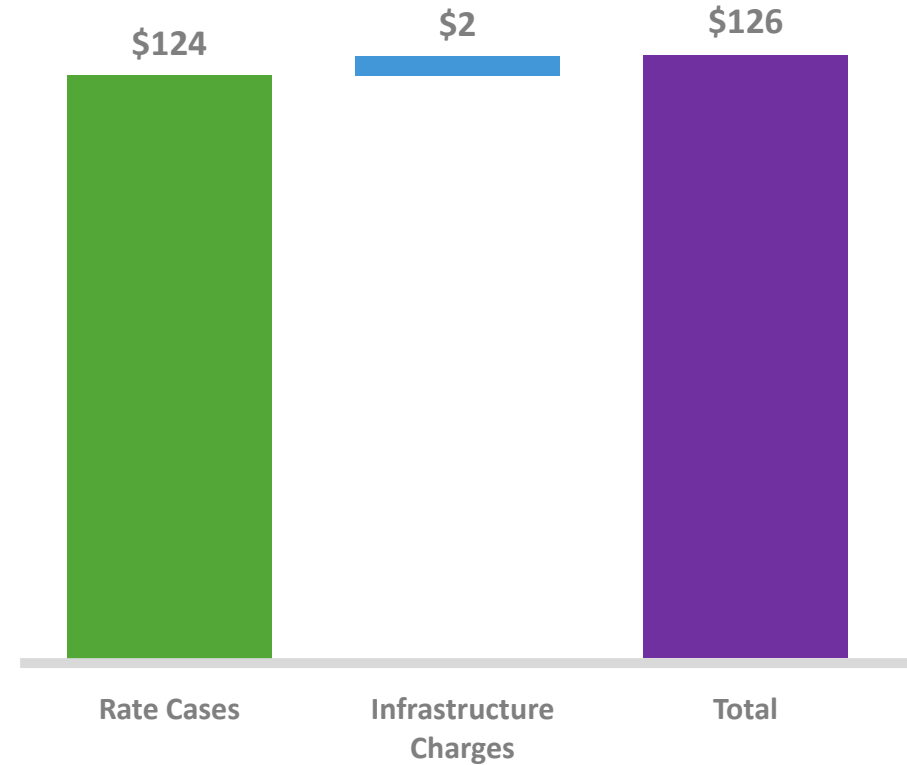
\* Adjusted EPS is a non-GAAP Measure. Please see appendix for EPS reconciliation and further information.

\*\* Weather impact represents (\$0.01) for 2018, (\$0.03) for 2019

## 2019 Rate Filings Completed\*



## Requested Revenue Awaiting Final Order



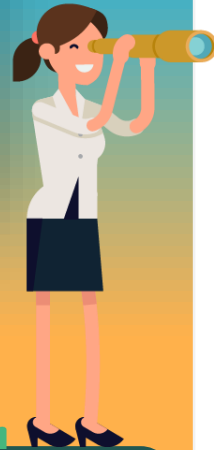
\*Annualized Revenue Increase for Rates Effective Since January 1, 2019



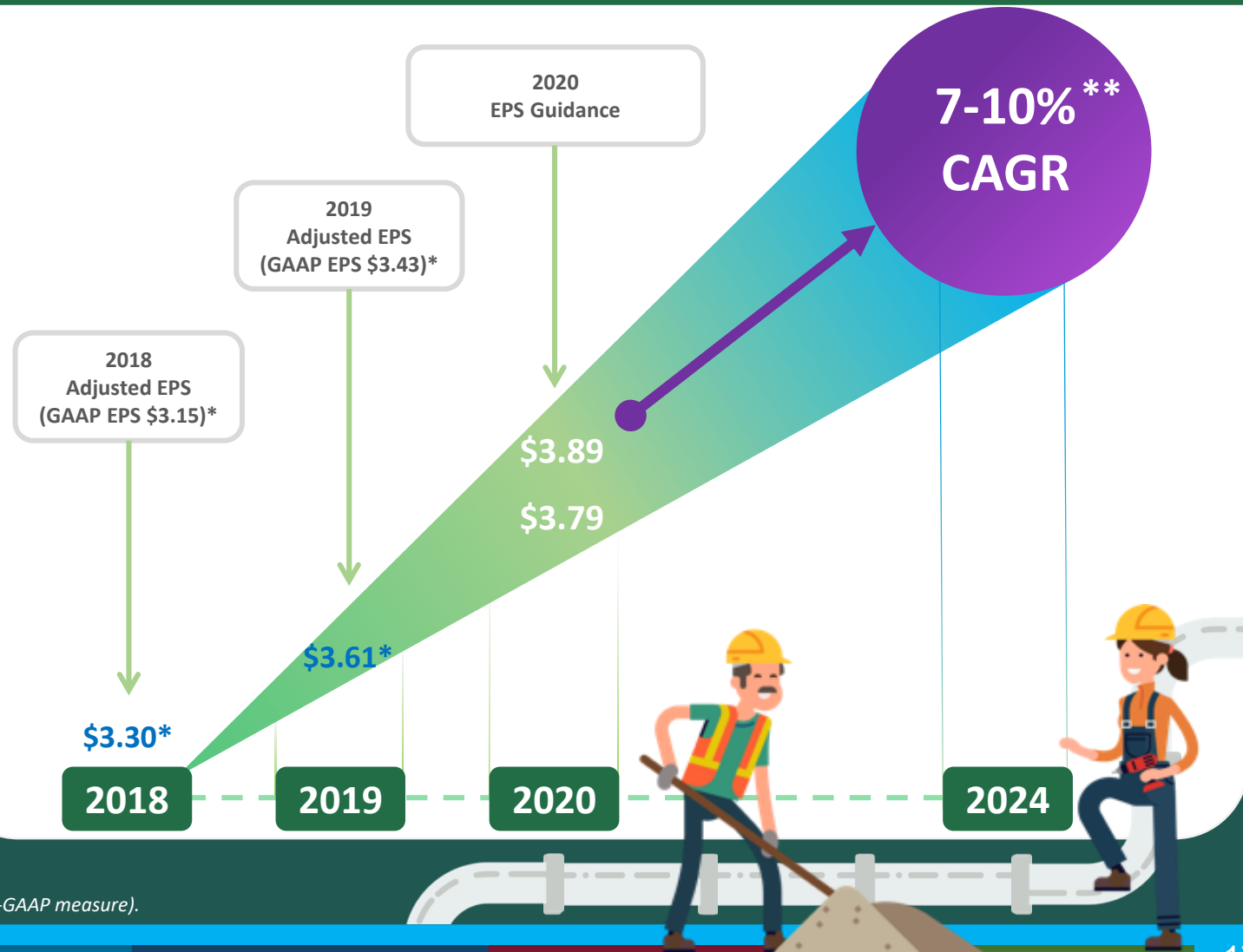
✓ **Grow EPS long-term CAGR of 7-10%\*\***  
 ... One of the fastest growing utilities in the nation

## Affirm 2020 EPS Guidance

**\$3.79 - \$3.89**



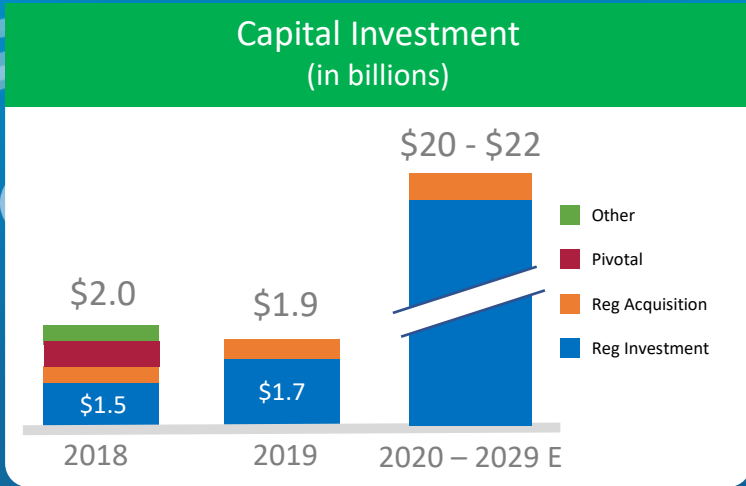
## 2020 – 2024 Long-Term EPS CAGR Guidance\*\*



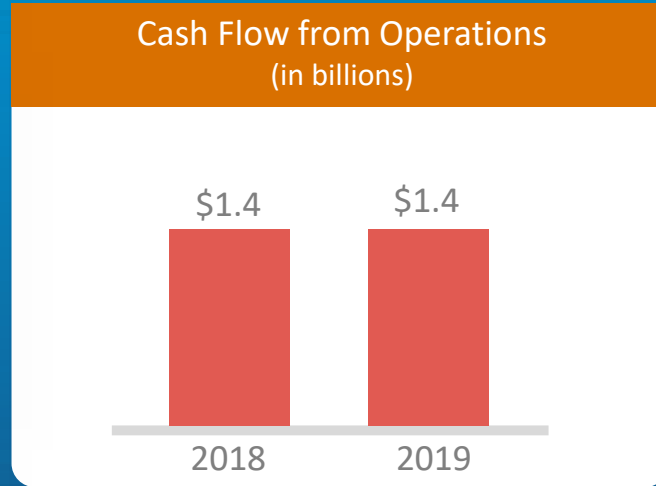
\* Adjusted EPS is a non-GAAP Measure. Please see appendix for reconciliation and further information.  
 \*\* Long Term EPS reflects 2020 – 2024 EPS CAGR goal of 7-10%, anchored off of 2018 Adjusted EPS (a non-GAAP measure).

# Summary – Creating Customer and Shareholder Value

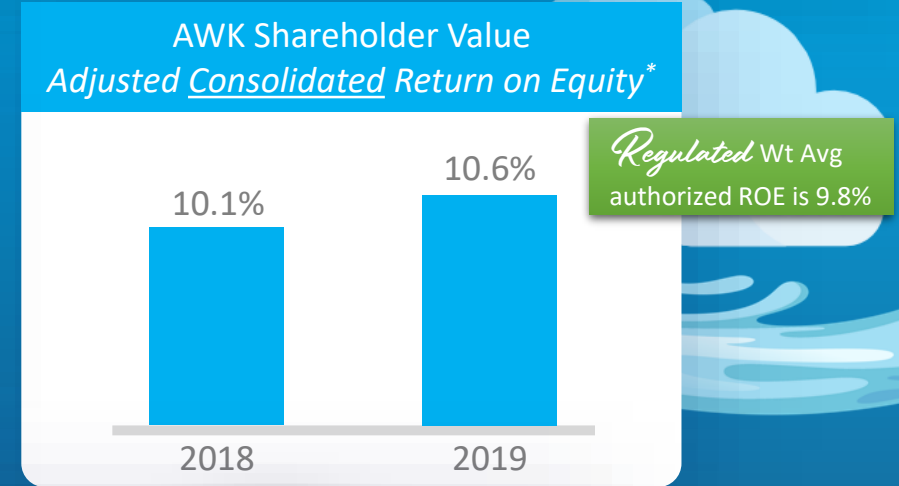
Capital Investment (in billions)



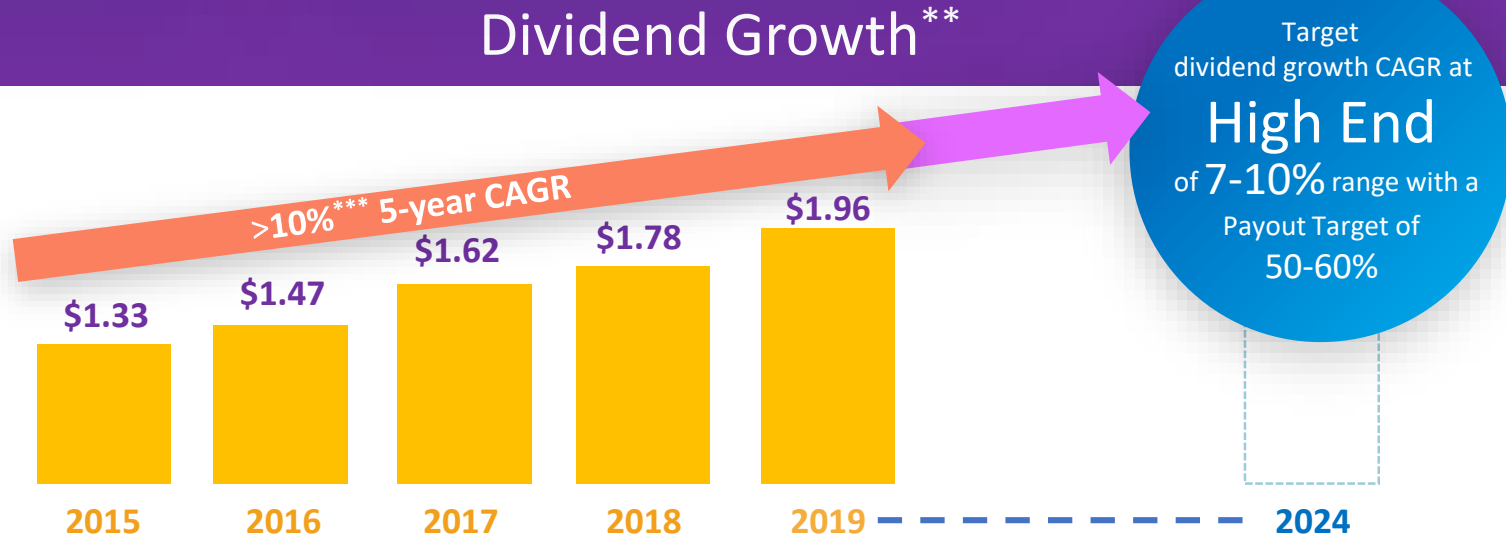
Cash Flow from Operations (in billions)



AWK Shareholder Value Adjusted Consolidated Return on Equity\*



Dividend Growth\*\*



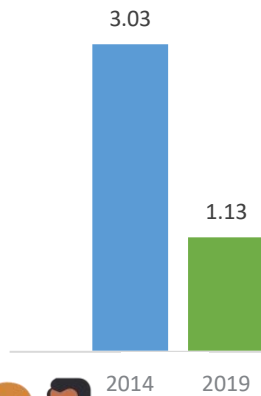
\* Adjusted return on equity (includes both Regulated and Market-based Businesses) is a non-GAAP measure. Please see reconciliation table in appendix.

\*\* Future dividends are subject to approval of the American Water Board of Directors.

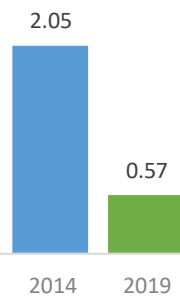
\*\*\* Anchored off of 2014 dividends paid.

## Safety Metrics

OSHA Injuries  
63%  
Reduction



Serious Injuries  
72%  
Reduction



\*Occupational Safety & Health Administration (OSHA) injuries as measured by ORIR  
\*\*Serious Injuries as measured by DART

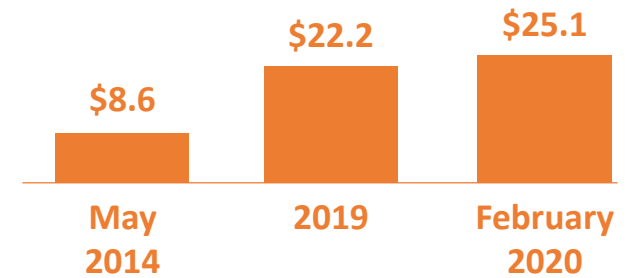
## Total Shareholder Return

(As of 12/31/2019)

	One Year	Three Year	Six Year
American Water	37.8%	80.1%	230.8%
UTY Index	26.8%	48.1%	110.2%
S&P 500	31.5%	53.1%	97.6%

## Market Capitalization

(in billions)



## Dividend Growth



\* Anchored off of 2014 dividends paid.



AMERICAN WATER

# Q&A Session



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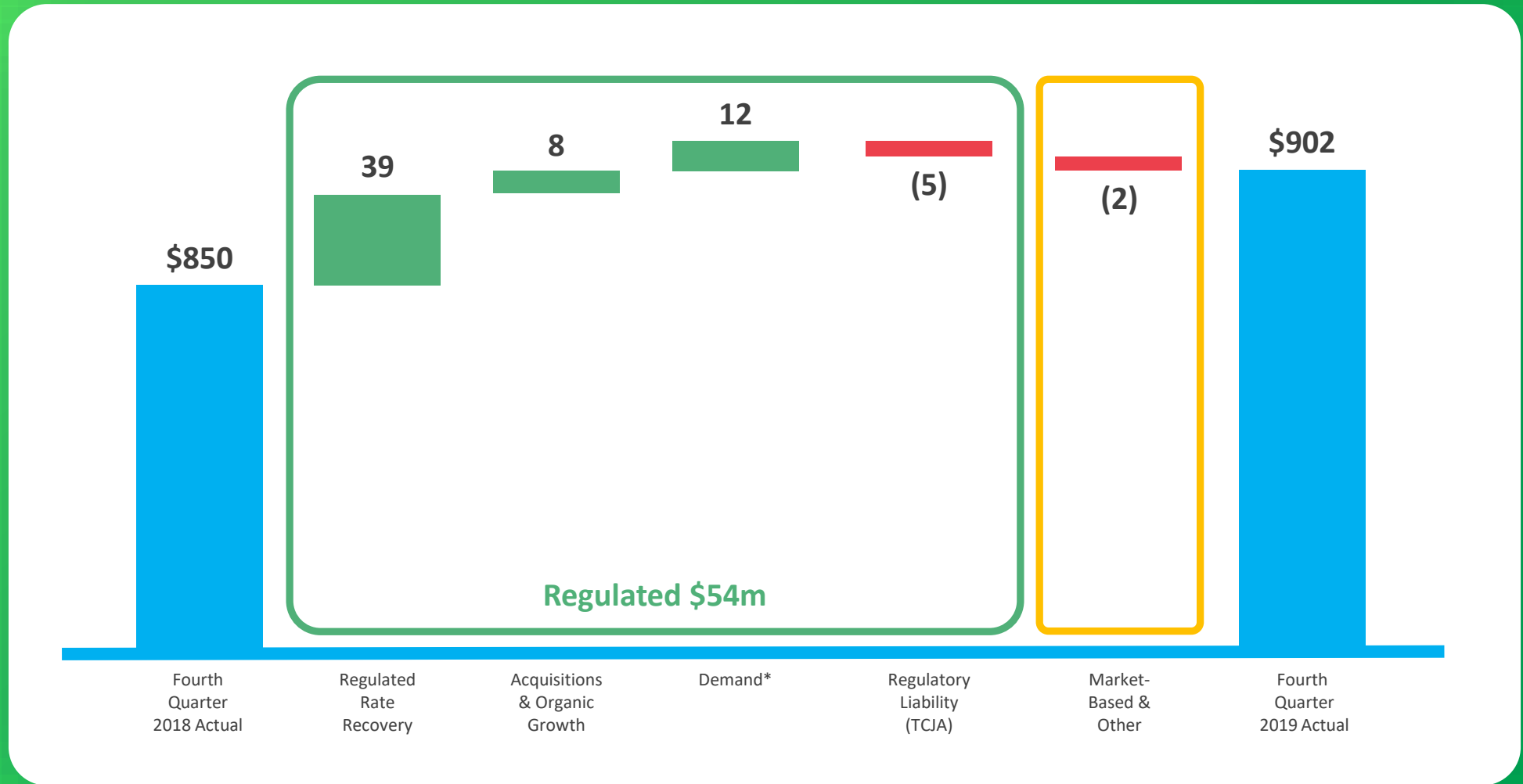
*Appendix*

Certain statements in this presentation, including, without limitation, with respect to: earnings per share guidance; dividend growth guidance; the outcome of pending or future acquisition activity; the amount and allocation of future capital investments and expenditures; estimated revenues and regulatory recovery from rate cases and other governmental agency authorizations; estimates regarding the Company's projected rate base, growth, results of operations and financial condition; the Company's projected regulated operation and maintenance efficiency ratio; macro trends; the Company's ability to execute its business and operational strategy; and projected impacts of the Tax Cuts and Jobs Act (the "TCJA"), are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the Federal securities laws. In some cases, these forward-looking statements can be identified by words with prospective meanings such as "intend," "plan," "estimate," "believe," "anticipate," "expect," "predict," "project," "propose," "assume," "forecast," "outlook," "future," "pending," "goal," "objective," "potential," "continue," "seek to," "may," "can," "will," "should" and "could" and or the negative of such terms or other variations or similar expressions. These forward-looking statements are predictions based on the Company's current expectations and assumptions regarding future events. They are not guarantees or assurances of any outcomes, financial results of levels of activity, performance or achievements, and readers are cautioned not to place undue reliance upon them. The forward-looking statements are subject to a number of estimates and assumptions, and known and unknown risks, uncertainties and other factors. Actual results may differ materially from those discussed in the forward-looking statements included in this presentation as a result of the factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the SEC on February 18, 2020, and subsequent filings with the SEC, and because of factors including, without limitation: the decisions of governmental and regulatory bodies, including decisions to raise or lower customer rates; the timeliness and outcome of regulatory commissions' actions concerning rates, capital structure, authorized return on equity, capital investment, system acquisitions and dispositions, taxes, permitting and other decisions; limitations on the availability of the Company's water supplies or sources of water, or restrictions on its use thereof; changes in laws, governmental regulations and policies, including with respect to environmental, health and safety, consumer privacy, water quality and water quality accountability, emerging contaminants, public utility and tax regulations and policies, and impacts resulting from U.S., state and local elections; weather conditions and events, climate variability patterns, and natural disasters, including drought or abnormally high rainfall, prolonged and abnormal ice or freezing conditions, strong winds, coastal and intercoastal flooding, earthquakes, landslides, hurricanes, tornadoes, wildfires, electrical storms, sinkholes and solar flares; the outcome of litigation and similar governmental and regulatory proceedings, investigations or actions; risks associated with the Company's aging infrastructure and its ability to appropriately maintain and replace current infrastructure and systems; exposure or infiltration of the Company's technology and critical infrastructure systems through physical or cyber attacks or other means; the Company's ability to control operating expenses and to achieve efficiencies in its operations; the intentional or unintentional actions of a third party, including contamination of the Company's water supplies or water provided to its customers; the Company's ability to successfully meet growth projections for its businesses and capitalize on growth opportunities, including its ability to, among other things, acquire, close and successfully integrate regulated operations and market-based businesses, enter into contracts and other agreements with, or otherwise obtain, new customers in the Company's market-based businesses, and realize anticipated benefits and synergies from new acquisitions; the Company's ability to successfully develop and implement new technologies and to protect related intellectual property; the Company's exposure to liabilities related to environmental laws and similar matters; access to sufficient debt and/or equity capital on satisfactory terms and when and as needed to support operations and capital expenditures; changes in federal or state general, income and other tax laws, including with respect to the Tax Cuts and Jobs Act, the availability of tax credits and tax abatement programs, and the Company's ability to utilize its U.S. federal and state income tax net operating loss carryforwards; and other factors as may be set forth in the Company's SEC filings.

These and other forward-looking statements are qualified by, and should be read together with, the risks and uncertainties set forth above and the risk factors and cautionary statements included in the Company's annual and quarterly SEC filings, and readers should refer to such risks, uncertainties, risk factors and statements in evaluating such forward-looking statements. Any forward-looking statements speak only as of the date this presentation was first used or given. The Company does not have and does not undertake any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise, except as otherwise required by the Federal securities laws. Furthermore, it may not be possible to assess the impact of any such factor on the Company's businesses, either viewed independently or together, or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. The foregoing factors should not be construed as exhaustive.

# 2019 Fourth Quarter Revenue Breakdown

(\$ in millions)

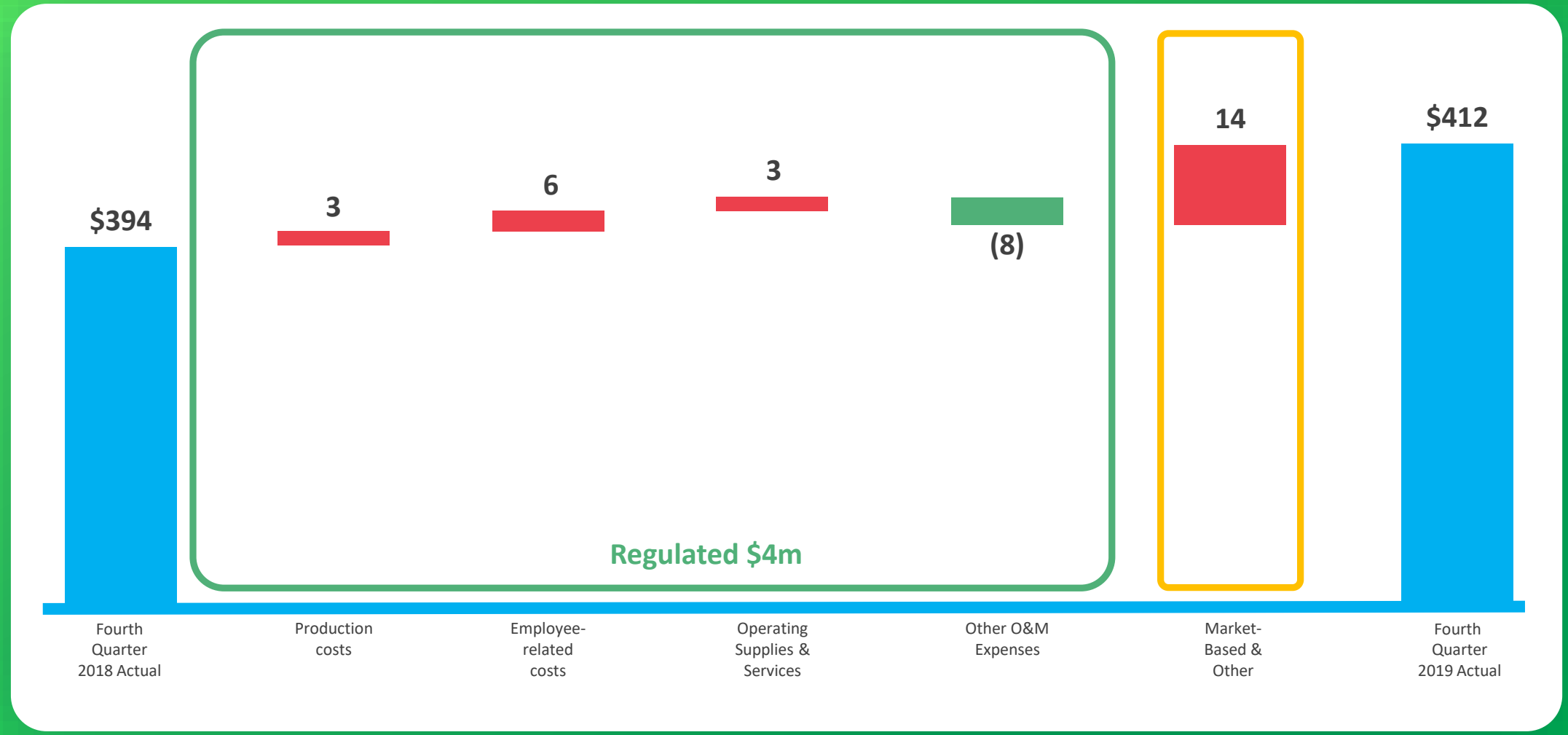


\* Includes \$3m impact of weather



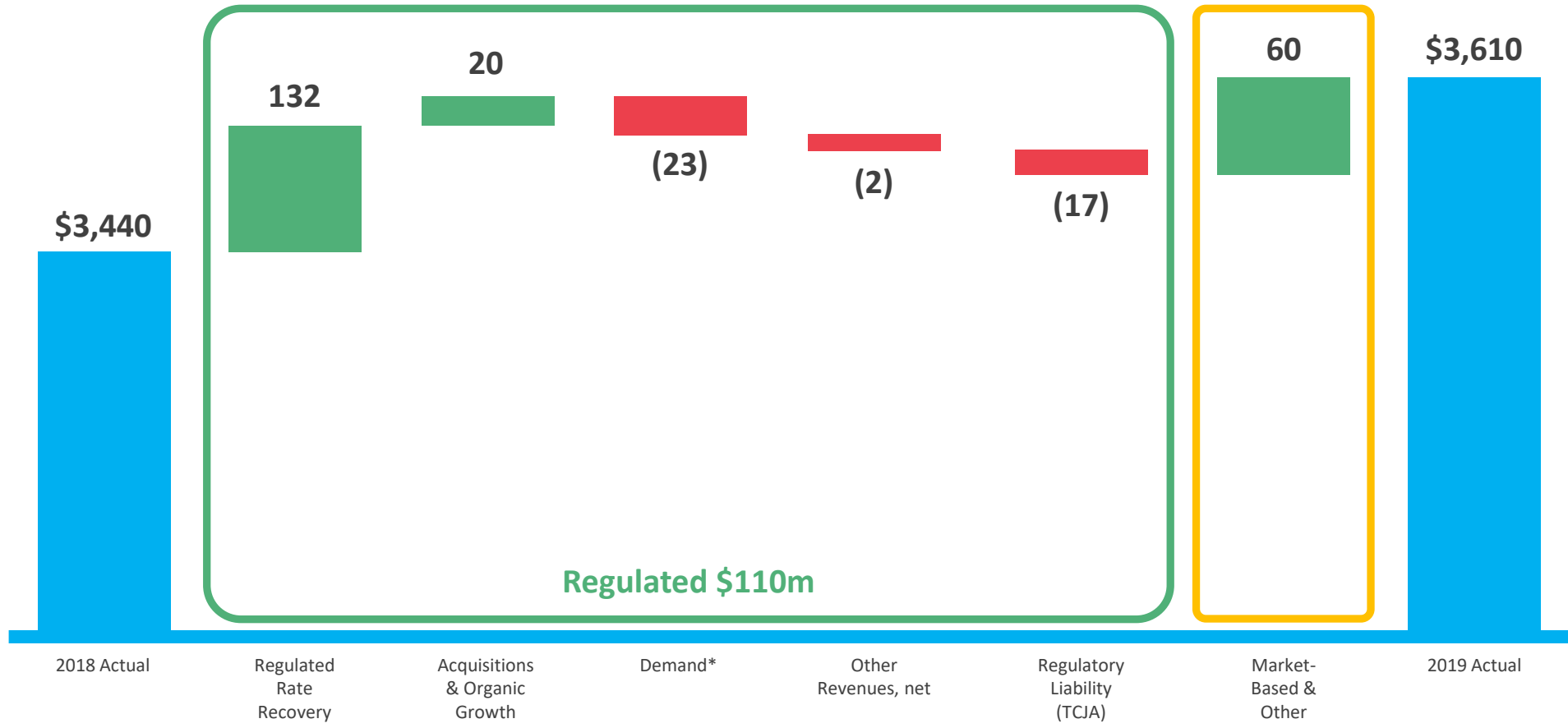
# 2019 Fourth Quarter O&M Expense Breakdown

(\$ in millions)



# 2019 Revenue Breakdown

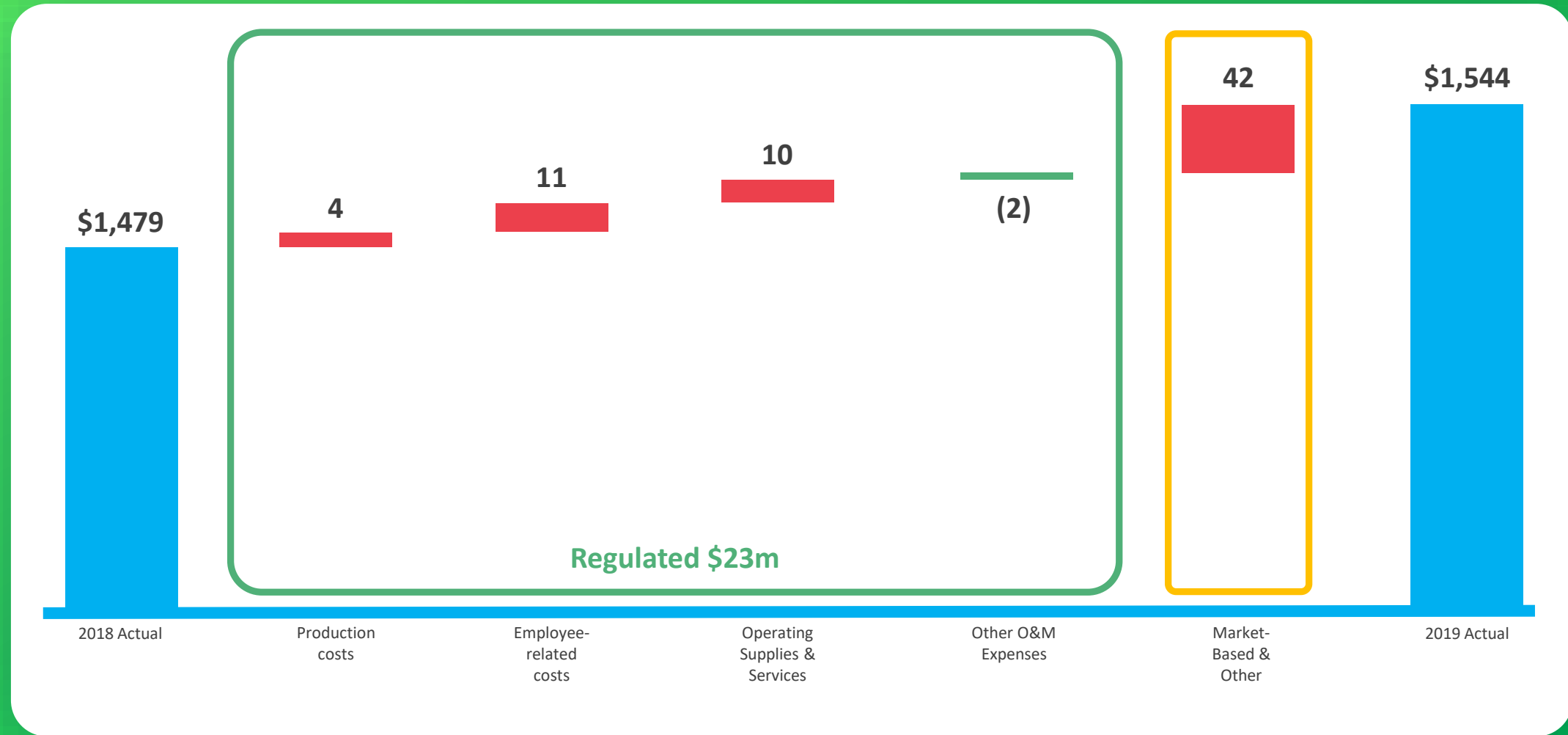
(\$ in millions)



\*Includes \$10m impact of unusually wet weather

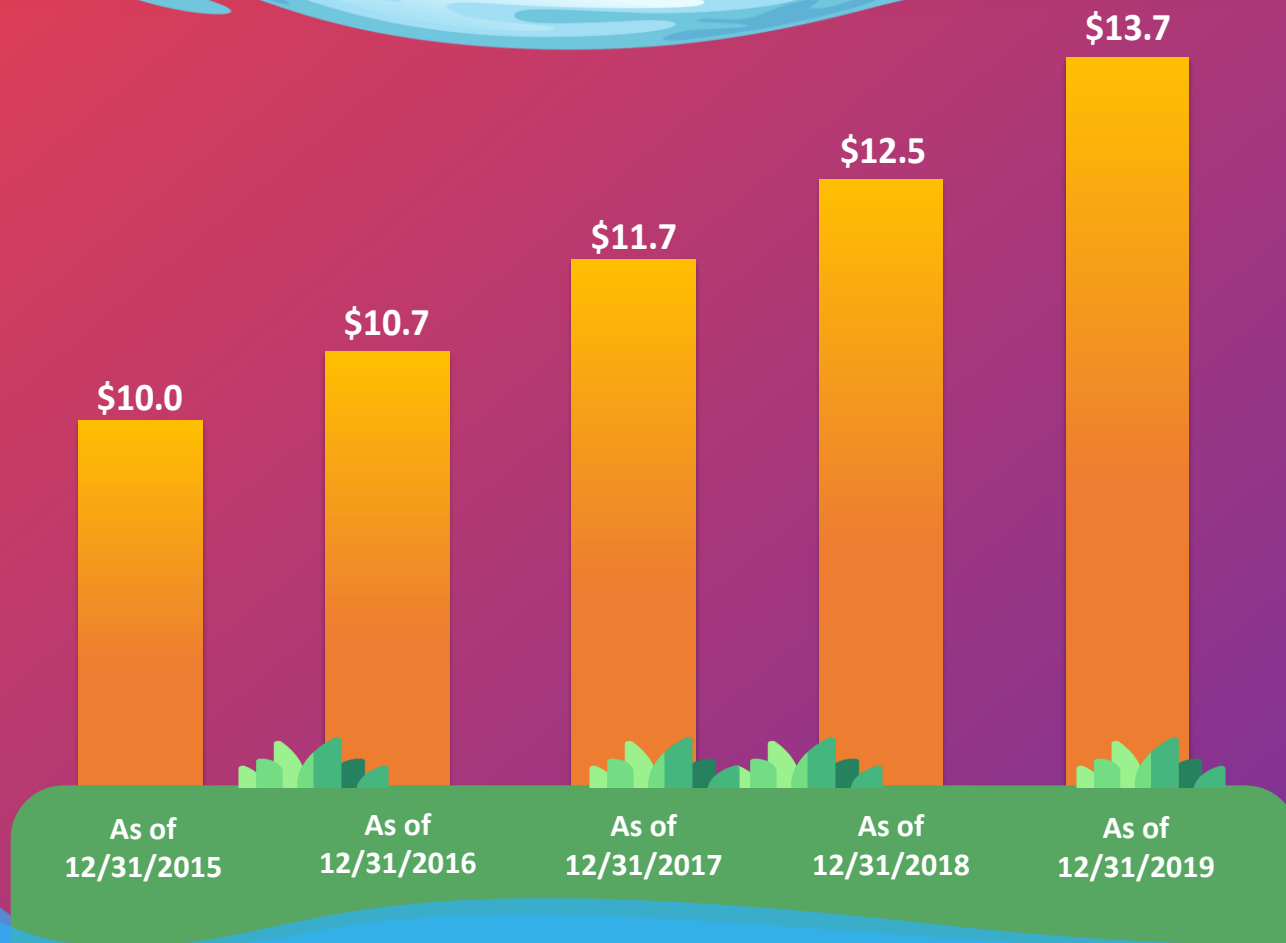
# 2019 O&M Expense Breakdown

(\$ in millions)



# Rate Base Calculation\*

(\$ in millions)



Estimated Rate Base*	
	As of 12/31/2019
Net Utility Plant	\$18.6
Less	
Advances for Construction	\$0.2
CIAC – Contributions in Aid of Construction	\$1.4
Net Deferred income taxes***	\$3.2
	<hr/>
	\$4.8
<b>Total Estimated Rate Base</b>	<b>\$13.7</b>

**≈7-8%\*\***  
**Expected Rate base  
 CAGR through 2024**

\*An approximation of rate base, which includes Net Utility Plant not yet included in rate base pending rate case filings/outcomes. Amounts may not sum due to rounding  
 \*\*Anchored off of 2017 rate base  
 \*\*\* Includes the regulatory liability established to normalize the impact of tax rate changes under the Tax Cuts and Jobs Act

## January 1, 2019

Rate Cases & Step Increases	Date Effective	Annualized Revenue Increases Effective in 2019
Maryland	2/5/2019	\$1 <sup>(a)</sup>
West Virginia	2/25/2019	19 <sup>(b)</sup>
New York	4/1/2019	4 <sup>(c)</sup>
California	5/11/2019	4 <sup>(d)</sup>
Kentucky	6/28/2019	13
Indiana	7/1/2019	4 <sup>(e)</sup>
		<b>\$45</b>
Infrastructure Charges		
Illinois (QIP)	1/1/2019	\$8
West Virginia (DSIC)	1/1/2019	2
Pennsylvania (DSIC)	4/1/2019	2
Missouri (ISRS)	6/24/2019	9
New Jersey (DSIC)	7/1/2019	15
Pennsylvania (DSIC)	7/1/2019	3
New York (SIC)	8/1/2019	2
Tennessee (QIIP, EDI, SEC)	9/1/2019	1
Pennsylvania (DSIC)	10/1/2019	6
Missouri (ISRS)	12/21/2019	5
		<b>\$53</b>
	<b>Total</b>	<b>\$98</b>

## January 1, 2020

Infrastructure Charges	Date Effective	Annualized Revenue Increases Effective in 2020
West Virginia (DSIC)	1/1/2020	\$3
Pennsylvania (W-DSIC)	1/1/2020	9
Pennsylvania (WW-DSIC)	1/1/2020	1
Illinois (QIP)	1/1/2020	7
New Jersey (DSIC)	1/1/2020	10
	<b>Total</b>	<b>\$30</b>

<sup>(a)</sup> On February 5, 2019, the Maryland Public Service Commission issued an Order authorizing an increase of \$1.45 million effective February 5, 2019.

<sup>(b)</sup> On February 8, 2019, the West Virginia Public Service Commission issued an Order authorizing an increase of \$19 million effective February 25, 2019, excluding \$4 million in DSIC revenues.

<sup>(c)</sup> Total Rate award for this rate case was \$20.9 million with increases of \$3.6, \$4.8, \$4.6 and \$7.9 million effective 6/1/2017, 4/1/2018, 4/1/2019 and 4/1/2020, respectively. The Rate award for the rate case was adjusted to \$17.9 million with increases of \$2.8, \$4.1, \$3.9 and \$7.1 million effective 6/1/2017, 4/1/2018, 4/1/2019 and 4/1/2020, respectively, to reflect an adjustment to property taxes.

<sup>(d)</sup> 2019 step rate increases approved effective May 11, 2019. On August 23rd, 2019 CAW filed a tier 2 advice letter to request a true-up of interim rates. This interim rate true-up included differences between interim rates and adopted rates from the beginning of test year 2018 through the 2019 escalation year up to the May 11, 2019 effective date of step rates. If authorized, the relief requested would become effective as of September 22, 2019.

<sup>(e)</sup> The overall increase is \$17.5 million in revenues combined over two steps, the first step is effective 7/1/2019 in the amount of \$4.4 million and the second step should be effective 5/1/2020 in the amount of \$13.1.

# Rate Filings Awaiting Final Order

Rate Cases Filed Company	Docket/Case Number	Date Filed	Requested Revenue Increase	ROE Requested	Rate Base
Virginia	Case No. PUR-2018-00175	11/2/2018	\$5 <sup>(a)</sup>	10.8%	\$196
California	Case No. A. 19-07-004	7/1/2019	26 <sup>(b)</sup>		689
California (Step Increase)	Case No. A. 16-07-002	11/12/2019	5 <sup>(c)</sup>		601
New Jersey	Case No. WR-1912xxxx	12/16/2019	88 <sup>(d)</sup>	10.5%	3,639
			<b>\$124</b>		<b>\$5,125</b>
<b>Infrastructure Charges Filed</b>					
Tennessee (QIIP, EDI, SEC)		11/15/2019	2		21
			<b>\$2</b>		<b>\$21</b>
<b>Total Awaiting Final Order:</b>			<b>\$126</b>		

<sup>(a)</sup> The requested increase filed for was \$5.6 million, which includes \$0.9 million from infrastructure filings. Interim rates were effective on May 1, 2019, under bond and subject to refund.

<sup>(b)</sup> Test Year 2021 revenue requirement requests an increase of \$26.0 million. This excludes the step rate and attrition rate increase for 2022 and 2023 of \$9.8 million and \$10.8 million, respectively. The total revenue requirement request for the three year rate case cycle is \$46.6 million.

<sup>(c)</sup> Step Rates became effective 1/1/2020 subject to refund.

<sup>(d)</sup> The requested increase is \$87.8 million, which excludes \$34.7 million from the DSIC.

	CALIFORNIA	ILLINOIS	INDIANA	KENTUCKY	MISSOURI
Authorized Rate Base*	\$498,135	\$883,386	\$1,061,192	\$443,654	\$1,249,293 <sup>(b)</sup>
Authorized ROE	9.20% <sup>(a)</sup>	9.79%	9.80%	9.70% <sup>(e)</sup>	10.00% <sup>(e)</sup>
Authorized Equity	55.39% <sup>(a)</sup>	49.80%	53.41% <sup>(c)</sup>	48.90%	52.80% <sup>(d)</sup>
Effective Date of Rate Case	1/1/2018 <sup>(a)</sup>	1/1/2017	7/1/2019	6/28/2019	5/28/2018

	NEW JERSEY	NEW YORK	PENNSYLVANIA	VIRGINIA	WEST VIRGINIA
Authorized Rate Base*	\$2,950,471	\$275,463	\$3,162,597 <sup>(b)</sup>	\$155,747	\$652,900 <sup>(h)</sup>
Authorized ROE	9.60%	9.10%	10.00% <sup>(e)</sup>	9.25%	9.75%
Authorized Equity	54.00%	46.00%	53.75% <sup>(d)</sup>	46.09%	48.40% <sup>(h)</sup>
Effective Date of Rate Case	10/29/2018 <sup>(g)</sup>	6/1/2017	1/1/2018	5/24/2017 <sup>(f)</sup>	2/25/2019

\*Rate Base stated in \$000s

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

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

<sup>(c)</sup> The Authorized Equity excludes cost-free items or tax credit balances at the overall rate of return which lowers the equity percentage as an alternative to the common practice of deducting such items from rate base.

<sup>(d)</sup> The equity ratio listed is the Company's view of the equity ratio allowed in the case, the actual equity ratio was not disclosed in the Order or the applicable settlement agreement.

<sup>(e)</sup> The ROE listed is the Company's view of the ROE allowed in the case; however, the ROE was not disclosed in the Order or the applicable settlement agreement.

<sup>(f)</sup> Interim rates were effective April 1, 2016 and received final Order May 24, 2017.

<sup>(g)</sup> Interim rates were effective June 15, 2018 and final rates effective October 29, 2018.

<sup>(h)</sup> The Rate Base and equity ratio listed is the Company's view of what was allowed in the case, as there were multiple versions of each disclosed by the parties in the settlement agreement.

## As of December 31, 2019

State	Number of Systems	Water Customer Connections	Wastewater Customer Connections	Total Customer Connections
California	1	500	-	500
Illinois**	4	500	29,700	30,200
Indiana	2	6,200	-	6,200
Kentucky	2	400	200	600
Missouri	5	-	200	200
New Jersey	1	-	1,800	1,800
Pennsylvania	5	2,700	10,400	13,100
West Virginia	1	500	-	500
<b>Total</b>	<b>21</b>	<b>10,800</b>	<b>42,300</b>	<b>53,100</b>

## As of February 19, 2020

California	1	4,800	-	4,800
West Virginia	1	300	-	300
<b>Total</b>	<b>2</b>	<b>5,100</b>	<b>-</b>	<b>5,100</b>

\* Customer Connections are rounded

\*\* This includes the Alton, IL acquisition, which represents 23,000 customer connections, due to bulk contracts. Connections to the system are approximately 11,000



State	Number of Systems	Water Customer Connections	Wastewater Customer Connections	Total Customer Connections
California	5	7,700	-	7,700
Hawaii	1	-	200	200
Iowa	1	100	-	100
Illinois	11	5,400	18,800	24,200
Indiana	1	-	500	500
Missouri	2	-	100	100
New Jersey	1	-	2,800	2,800
Pennsylvania	5	1,700	6,700	8,400
Tennessee	1	200	-	200
<b>Total</b>	<b>28</b>	<b>15,100</b>	<b>29,100</b>	<b>44,200</b>

\*Customer Connections are rounded. Does not reflect the announced pending sale of NYAW

Recurring transactions typically included in our annual guidance, some of which can result in annual variability:

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

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

- \* Gain/Loss on sale of a business line or segment
- \* Impairments of a business line or segment
- \* Legal settlements and associated activities
- \* Debt extinguishments
- \* Material tax law changes

Consolidated Adjusted EPS	For the Twelve Months Ended December 31,						
	2019	2018	2017	2016	2015	2014	2013
Diluted earnings per share (GAAP):							
<b>Net income attributable to common shareholders</b>	<b>\$3.43</b>	<b>\$3.15</b>	<b>\$2.38</b>	<b>\$2.62</b>	<b>\$2.64</b>	<b>\$2.39</b>	<b>\$2.07</b>
Adjustments:							
Loss on sale of Keystone	0.24	-	-	-	-	-	-
Income tax impact	(0.05)	-	-	-	-	-	-
Net adjustment	0.19	-	-	-	-	-	-
Gain on sale of portion of Contract Services Group contracts	-	(0.08)	-	-	-	-	-
Income tax impact	-	0.02	-	-	-	-	-
Net adjustment	-	(0.06)	-	-	-	-	-
Keystone Impairment	-	0.31	-	-	-	-	-
Income tax impact	-	(0.08)	-	-	-	-	-
Net loss attributable to noncontrolling interest	-	(0.01)	-	-	-	-	-
Net adjustment	-	0.22	-	-	-	-	-
Freedom Industries Settlement Activities	(0.02)	(0.11)	(0.12)	0.36	-	0.06	-
Income tax impact	0.01	0.03	0.05	(0.14)	-	(0.02)	-
Net adjustments	(0.01)	(0.08)	(0.07)	0.22	-	0.04	-
Early Debt Extinguishment at Parent	-	-	0.03	-	-	-	0.19
Income tax impact	-	-	(0.01)	-	-	-	(0.05)
Net adjustments	-	-	0.02	-	-	-	0.14
Impact of re-measurement from the TCJA	-	0.07	0.70	-	-	-	-
<b>Total net adjustments</b>	<b>0.18</b>	<b>0.15</b>	<b>0.65</b>	<b>0.22</b>	<b>-</b>	<b>0.04</b>	<b>0.14</b>
<b>Adjusted diluted earnings per share (non-GAAP)</b>	<b>\$3.61</b>	<b>\$3.30</b>	<b>\$3.03</b>	<b>\$2.84</b>	<b>\$2.64</b>	<b>\$2.43</b>	<b>\$2.21</b>

# Reconciliation Table: Consolidated Adjusted Earnings Per Share\*

Consolidated Adjusted EPS	For the Three Months Ended December 31,				For the Twelve Months Ended December 31,			
	2019	2018	2019 vs. 2018	Percentage	2019	2018	2019 vs. 2018	Percentage
Diluted earnings per share (GAAP):								
Net income attributable to common shareholders	\$ 0.54	\$ 0.62	\$ (0.08)		\$ 3.43	\$ 3.15	\$ 0.28	
Adjustments:								
Loss on sale of Keystone	0.24	-	0.24		0.24	-	0.24	
Income tax impact	(0.05)	-	(0.05)		(0.05)	-	(0.05)	
Net adjustment	0.19	-	0.19		0.19	-	0.19	
Freedom Industries settlement	-	-	-		(0.02)	(0.11)	0.09	
Income tax impact	-	-	-		0.01	0.03	(0.02)	
Net adjustment	-	-	-		(0.01)	(0.08)	0.07	
Gain on sale of portion of Contract Services Group contracts	-	-	-		-	(0.08)	0.08	
Income tax impact	-	-	-		-	0.02	(0.02)	
Net adjustment	-	-	-		-	(0.06)	0.06	
Keystone Impairment	-	-	-		-	0.31	(0.31)	
Income tax impact	-	-	-		-	(0.08)	0.08	
Net loss attributable to noncontrolling interest	-	-	-		-	(0.01)	0.01	
Net adjustment	-	-	-		-	0.22	(0.22)	
Re-measurement from Tax Reform	-	0.07	(0.07)		-	0.07	(0.07)	
Total net adjustments	0.19	0.07	0.12		0.18	0.15	0.03	
Adjusted diluted earnings per share (non-GAAP)	\$ 0.73	\$ 0.69	\$ 0.04	5.8%	\$ 3.61	\$ 3.30	\$ 0.31	9.4%

Consolidated Adjusted EPS	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2019	2018	2019 vs. 2018	Percentage	2019	2018	2019 vs. 2018	Percentage
Diluted earnings per share (GAAP):								
Net income attributable to common shareholders	\$ 1.33	\$ 1.04	\$ 0.29		\$ 2.89	\$ 2.53	\$ 0.36	
Adjustments:								
Gain on sale of portion of Contract Services Group contracts	-	(0.08)	0.08		-	(0.08)	0.08	
Income tax impact	-	0.02	(0.02)		-	0.02	(0.02)	
Net adjustment	-	(0.06)	0.06		-	(0.06)	0.06	
Keystone Impairment	-	0.31	(0.31)		-	0.31	(0.31)	
Income tax impact	-	(0.08)	0.08		-	(0.08)	0.08	
Net loss attributable to noncontrolling interest	-	(0.01)	0.01		-	(0.01)	0.01	
Net adjustment	-	0.22	(0.22)		-	0.22	(0.22)	
Freedom Industries Insurance Settlement	-	-	-		(0.02)	(0.11)	0.09	
Income tax impact	-	-	-		0.01	0.03	(0.02)	
Net adjustments	-	-	-		(0.01)	(0.08)	0.07	
Total net adjustments	-	0.16	(0.16)		(0.01)	0.08	(0.09)	
Adjusted diluted earnings per share (non-GAAP)	\$ 1.33	\$ 1.20	\$ 0.13	10.8%	\$ 2.88	\$ 2.61	\$ 0.27	10.3%

# Reconciliation Table: Adjusted Earnings Per Share by Segment\*

Regulated Businesses Adjusted EPS	For the Three Months Ended December 31,				For the Twelve Months Ended December 31,			
	2019	2018	2019 vs. 2018	Percentage	2019	2018	2019 vs. 2018	Percentage
Diluted earnings per share (GAAP):								
<b>Net income attributable to common shareholders</b>	<b>\$ 0.84</b>	<b>\$ 0.66</b>	<b>\$ 0.18</b>		<b>\$ 3.61</b>	<b>\$ 3.35</b>	<b>\$ 0.26</b>	
Adjustments:								
Freedom Industries Insurance Settlement	-	-	-		(0.02)	(0.11)	0.09	
Income tax impact	-	-	-		0.01	0.03	(0.02)	
Net adjustments	-	-	-		(0.01)	(0.08)	0.07	
Re-measurement from Tax Reform	-	0.05	(0.05)		-	0.05	(0.05)	
Total net adjustments	-	0.05	(0.05)		(0.01)	(0.03)	0.02	
<b>Adjusted diluted earnings per share (non-GAAP)</b>	<b>\$ 0.84</b>	<b>\$ 0.71</b>	<b>\$ 0.13</b>	<b>18.3%</b>	<b>\$ 3.60</b>	<b>\$ 3.32</b>	<b>\$ 0.28</b>	<b>8.4%</b>

Market-Based Businesses Adjusted EPS	For the Three Months Ended December 31,				For the Twelve Months Ended December 31,			
	2019	2018	2019 vs. 2018	Percentage	2019	2018	2019 vs. 2018	Percentage
Diluted earnings per share (GAAP):								
<b>Net income attributable to common stockholders</b>	<b>\$ (0.09)</b>	<b>\$ 0.07</b>	<b>\$ (0.16)</b>		<b>\$ 0.26</b>	<b>\$ 0.17</b>	<b>\$ 0.09</b>	
Adjustments:								
Loss on sale of Keystone	0.24	-	0.24		0.24	-	0.24	
Income tax impact	(0.05)	-	(0.05)		(0.05)	-	(0.05)	
Net adjustment	0.19	-	0.19		0.19	-	0.19	
Gain on sale of portion of Contract Services Group contracts	-	-	-		-	(0.08)	0.08	
Income tax impact	-	-	-		-	0.02	(0.02)	
Net adjustment	-	-	-		-	(0.06)	0.06	
Keystone Impairment	-	-	-		-	0.31	(0.31)	
Income tax impact	-	-	-		-	(0.08)	0.08	
Net loss attributable to noncontrolling interest	-	-	-		-	(0.01)	0.01	
Net adjustment	-	-	-		-	0.22	(0.22)	
Total net adjustments	0.19	-	0.19		0.19	0.16	0.03	
<b>Adjusted diluted earnings per share (non-GAAP)</b>	<b>\$ 0.10</b>	<b>\$ 0.07</b>	<b>\$ 0.03</b>	<b>42.9%</b>	<b>\$ 0.45</b>	<b>\$ 0.33</b>	<b>\$ 0.12</b>	<b>36.4%</b>

Parent Company Adjusted EPS	For the Three Months Ended December 31,				For the Twelve Months Ended December 31,			
	2019	2018	2019 vs. 2018	Percentage	2019	2018	2019 vs. 2018	Percentage
Diluted earnings per share (GAAP):								
<b>Net income attributable to common stockholders</b>	<b>\$ (0.21)</b>	<b>\$ (0.11)</b>	<b>\$ (0.10)</b>		<b>\$(0.44)</b>	<b>\$(0.37)</b>	<b>\$ (0.07)</b>	
Non-GAAP adjustments:								
Early Debt Extinguishment at Parent	-	-	-		-	-	-	
Income tax impact	-	-	-		-	-	-	
Net non-GAAP adjustment	-	-	-		-	-	-	
Re-measurement from Tax Reform	-	0.02	(0.02)		-	0.02	(0.02)	
<b>Adjusted diluted earnings per share (non-GAAP)</b>	<b>\$ (0.21)</b>	<b>\$ (0.09)</b>	<b>\$ (0.12)</b>	<b>-133.3%</b>	<b>\$(0.44)</b>	<b>\$(0.35)</b>	<b>\$ (0.09)</b>	<b>-24.3%</b>

# Reconciliation Table: Adjusted Return on Equity

	LTM December 31, 2018	LTM December 31, 2019
Net Income	\$567	\$621
Adjustments:		
Freedom Industries Insurance Settlement	(20)	0
Freedom Industries liability reduction	-	(4)
Keystone Sale	-	44
Keystone Impairment	54	0
Contract Services Gain on Sale	(14)	0
Tax Impact for items above	(6)	(8)
Re-measurement from Tax Reform	12	0
<b>Adjusted Net Income from Continuing Operations (a)</b>	<b>\$593</b>	<b>\$653</b>
Shareholders' equity	\$5,864	\$6,121
Adjustments:		
Freedom Industries Insurance Settlement	(20)	0
Freedom Industries liability reduction	-	(4)
Keystone Sale	-	44
Keystone Impairment	54	0
Contract Services Gain on Sale	(14)	0
Tax Impact for items above	(6)	(8)
Re-measurement from Tax Reform	12	0
<b>Adjusted Shareholders' Equity (b)</b>	<b>\$5,890</b>	<b>\$6,153</b>
<b>Adjusted Return on Equity (a/b)</b>	<b>10.1%</b>	<b>10.6%</b>

# Reconciliation Table: Regulated Segment O&M Efficiency Ratio

<b>Regulated Segment O&amp;M Efficiency Ratio</b> (A Non-GAAP Unaudited Number) (\$ in millions)	FY 2010	FY 2012	FY 2014	FY 2016	FY 2018	FY 2019
Total operations and maintenance expense	\$1,291	\$1,330	\$1,350	\$1,504	\$1,479	\$1,544
Less:						
Operations and maintenance expense – Market Based Operations	257	256	289	372	362	393
Operations and maintenance expense – Other	(61)	(56)	(51)	(44)	(42)	(31)
<b>Total operations and maintenance expense – Regulated Businesses</b>	<b>\$1,095</b>	<b>\$1,130</b>	<b>\$1,112</b>	<b>\$1,176</b>	<b>\$1,159</b>	<b>\$1,182</b>
Less:						
Regulated purchased water expense	100	110	122	122	133	135
Allocation of non-operation and maintenance expenses	29	35	39	30	31	31
Impact of Freedom Industries activities	-	-	10	65	(20)	(4)
Estimated impact of weather	-	5	(2)	-	-	-
<b>Adjusted operations and maintenance expense – Regulated Businesses (a)</b>	<b>\$966</b>	<b>\$980</b>	<b>\$943</b>	<b>\$959</b>	<b>\$1,015</b>	<b>\$1,020</b>
Total operating revenues	\$2,555	\$2,854	\$3,011	\$3,302	\$3,440	\$3,610
Less:						
Operating Revenues – Market Based Operations	295	307	355	451	476	539
Operating Revenues – Other	(26)	(17)	(18)	(20)	(20)	(23)
<b>Total pro forma operating revenues – Regulated Businesses</b>	<b>\$2,286</b>	<b>\$2,564</b>	<b>\$2,674</b>	<b>\$2,871</b>	<b>\$2,984</b>	<b>\$3,094</b>
Less:						
Regulated Purchased Water expense*	100	110	122	122	133	135
Plus:						
Freedom Industries chemical spill in West Virginia	-	-	1	-	-	-
Estimated impact of weather	-	(47)	17	-	-	-
<b>Adjusted pro forma operating revenues—Regulated Businesses (b)</b>	<b>\$2,186</b>	<b>\$2,407</b>	<b>\$2,570</b>	<b>\$2,749</b>	<b>\$2,851</b>	<b>\$2,959</b>
<b>Adjusted O&amp;M efficiency ratio—Regulated Businesses (a)/(b)</b>	<b>44.2%</b>	<b>40.7%</b>	<b>36.7%</b>	<b>34.9%</b>	<b>35.6%</b>	<b>34.5%</b>

Adjusted operations and maintenance expense – Regulated Businesses	\$966	\$980	\$943	\$959
Less:				
Impact of adoption of ASU 2017-07**	-	39	(8)	12
<b>Adjusted operations and maintenance expense – Regulated Businesses (c)</b>	<b>\$966</b>	<b>\$941</b>	<b>\$951</b>	<b>\$947</b>
Adjusted operating revenues—Regulated Businesses	\$2,186	\$2,407	\$2,570	\$2,749
Less pro forma adjustment:				
Pro forma adjustment for impact of the TCJA***	89	112	137	161
<b>Adjusted pro forma operating revenues—Regulated Businesses (d)</b>	<b>\$2,097</b>	<b>\$2,294</b>	<b>\$2,433</b>	<b>\$2,588</b>
<b>Adjusted O&amp;M efficiency ratio—Regulated Businesses (c)/(d)</b>	<b>46.1%</b>	<b>41.0%</b>	<b>39.1%</b>	<b>36.6%</b>

\* Calculation assumes purchased water revenues approximate purchased water expenses

\*\* Includes the impact of the Company's adoption of ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Post-retirement Benefit, on January 1, 2018.

\*\*\* Calculation of Estimated tax reform = Revenue Requirement with new Effective Tax Rate (taxes grossed up) – Revenue Requirement with old Effective Tax Rate